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IN THE  
**Supreme Court of the United States**

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THOMAS STEINBECK AND BLAKE SMYLE,  
*Petitioners,*

v.

PENGUIN GROUP (USA) INC., ET AL.,  
*Respondents.*

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**On Petition For A Writ Of Certiorari  
To The United States Court Of Appeals  
For The Second Circuit**

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**PETITION FOR A WRIT OF CERTIORARI**

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### QUESTION PRESENTED

The Copyright Act grants to authors and enumerated family members an inalienable interest in property—the right to terminate certain transfers of copyright “notwithstanding any agreement to the contrary.” 17 U.S.C. §§ 203(a)(5), 304(c)(5), (d)(1). In 2004, petitioners—the only living son and granddaughter of author John Steinbeck—invoked Section 304(d)(1) to terminate certain transfers Steinbeck executed in 1938. The Second Circuit concluded that the Steinbeck descendants’ termination was ineffective because, in 1994, the copyright holder (Steinbeck’s third wife) had entered into an agreement that purported to replace the 1938 agreement and retransfer the same rights, leaving intact (on the Second Circuit’s view) no transfer to which a descendant’s termination right could apply.

The question presented is whether the right of termination granted by Congress to authors and their families and made available for exercise “notwithstanding any agreement to the contrary” can be extinguished by a copyright holder’s agreement to regrant previously transferred rights.



## **PARTIES TO THE PROCEEDING**

In addition to the parties named in the caption, Waverly Scott Kaffaga (individually and as executor of the estate of Elaine Anderson Steinbeck), David Scott Farber, Anderson Farber Runkle, Jebel Kaffaga, Bahar Kaffaga, and Jean Anderson Boone were defendants and counterclaim-plaintiffs in the district court, were appellants in the court of appeals, and are respondents in this Court.

McIntosh & Otis, Inc., The Steinbeck Heritage Foundation, Eugene H. Winick, Samuel Pinkus, and Steven Frushtick were defendants and counterclaim-plaintiffs in the district court. Nancy Steinbeck was an intervenor-plaintiff in the district court. Francis Anderson Atkinson and Does 1-10 were defendants in the district court.

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## **PETITION FOR A WRIT OF CERTIORARI**

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Petitioners Thomas Steinbeck and Blake Smyle respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit.

### **OPINIONS BELOW**

The opinion of the court of appeals (App., *infra*, 1a–20a) is reported at 537 F.3d 193. The opinion of the United States District Court for the Southern District of New York (App., *infra*, 21a–39a) is reported at 433 F. Supp. 2d 395. The order of the United States Court of Appeals for the Second Circuit denying rehearing (App., *infra*, 40a–41a) is unpublished.

### **JURISDICTION**

The judgment of the court of appeals was entered on August 13, 2008. A timely petition for rehearing was denied on October 16, 2008. On December 18, 2008, Justice Ginsburg extended the time in which to file a petition for a writ of certiorari to and including February 13, 2009. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

### **STATUTORY PROVISIONS INVOLVED**

Sections 203 and 304 of Title 17, United States Code, are set forth in the appendix to this petition (App., *infra*, 42a–56a).

### **STATEMENT**

The issue in this case is whether the federal property right granted by Congress to authors and their family members to terminate transfers of copyright “notwithstanding any agreement to the contrary” can itself be extinguished by contract. That

issue is extremely important to the faithful administration of congressional copyright policy across the entire spectrum of copyrightable works, and it divides the Second and Ninth Circuits—the two courts of appeals that are most important in developing copyright law. Those circuits have issued a series of irreconcilable decisions on this recurring issue, which together create substantial confusion and uncertainty over the scope of the termination right. This Court should grant certiorari to resolve the intractable lower-court conflict and to provide much-needed guidance to the many individuals and industries that rely on copyrighted works for their livelihood and business as to whether the federal termination right may be abrogated by contract.

1. Since 1909, Congress has structured authors' property interests in copyrights to permit authors and their families to capture the value of the authors' works both at the time of authorship and again after the value of the works has been established. The Copyright Act of 1909 sought to achieve this end by granting copyright protection for an initial term of 28 years, followed by a renewal term of 28 years. 35 Stat. 1075, 1080–81. The renewal term was designed to enable authors who sold rights in the initial term—often before their works had a chance to become commercially successful—a second chance to benefit from the fruits of their labor. “The renewal term permit[ted] the author, originally in a poor bargaining position, to renegotiate the terms of the grant ~~once~~ the value of the work ha[d] been tested.” *Stewart v. Abend*, 495 U.S. 207, 218–19 (1990); see also H.R. Rep. No. 60–2222, at 14 (1909) (“[I]t should be the exclusive right of the author to take the renewal term, and the law should be framed . . . so that [the author] could not be deprived of that right.”).



Publishers easily and often defeated that congressional objective, however, by requiring authors to assign their rights under the 28-year renewal term at the same time they assigned their rights under the initial 28-year term. This Court's decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), upheld that controversial practice.

In the Copyright Act of 1976, Congress responded with several significant changes in copyright law, two of which are relevant here. *First*, Congress substantially extended the term of copyright protection. For works copyrighted before January 1, 1978 (the effective date of the 1976 Act), Congress extended the renewal term by 19 years, from 28 to 47 years—extending the total copyright protection from 56 years to 75 years. 17 U.S.C. § 304(a)–(b) (1982).<sup>1</sup>

*Second*, Congress secured the benefits of this extended term for authors and specified members of their families by granting them an “inalienable” (*Stewart*, 495 U.S. at 230) right to terminate transfers or licenses of rights in copyrighted works. 17 U.S.C. §§ 203(a), 304(c). For works copyrighted before January 1, 1978, Section 304(c) permits an author to terminate a prior transfer or license at the end of the 56th year of its copyright protection by serving a notice of termination on the existing transferee. *Id.* § 304(c). In the event the author has died, Congress provided that the termination right would pass, notwithstanding any will or other testamentary allocation of copyright interests, to specified mem-

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<sup>1</sup> Prospectively, for works copyrighted on or after January 1, 1978, the 1976 Act changed the copyright term to the life of the author plus 50 years. See 17 U.S.C. § 302(a) (1982).



bers of the author's family, including the author's spouse and children. *Id.* § 304(c)(1)–(2). In this manner, Congress ensured that authors and their families would have an opportunity to capture the value of the 19-year extended term (*i.e.*, years 57 through 75 of copyright protection). And to prevent publishers from using their superior bargaining power to contract around this termination right, Congress provided that the right could be exercised “notwithstanding any agreement to the contrary.” *Id.* § 304(c)(5).<sup>2</sup>

In the Sonny Bono Copyright Term Extension Act of 1998 (CTEA), Pub. L. No. 105–298, 111 Stat. 2827, Congress again extended the term of protection for pre-1978 works—this time from 75 to 95 years—and again provided artists and enumerated family members the right to recapture the value of copyrighted works for the newly extended portion of the term. 17 U.S.C. § 304(d). Under the CTEA, authors of pre-1978 works or specified surviving family members could terminate existing grants or licenses at the end of the 75th year of the work's copyright if they had not exercised the termination right provided by the 1976 Act (*id.* § 304(c)). *Id.* § 304(d). As in Sections 203 and 304(c), Congress attempted to

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<sup>2</sup> In Section 203, Congress created a similar termination right for transfers made by the author in or after 1978, permitting an author or specified family members to terminate a transfer or license 35 years after the transfer “notwithstanding any agreement to the contrary.” 17 U.S.C. § 203(a), (a)(5). Unlike the termination right applicable to pre-1978 works, however, the Section 203 right of termination runs from the date of the transfer (not from the date of the copyright) and applies only to transfers made by the author (not to transfers granted by copyright holders after the author's death). See *id.* § 203(a), (a)(3).

protect the benefits of this extended copyright term from being bargained away in advance by providing that the termination right may be exercised "notwithstanding any agreement to the contrary." *Id.* § 304(c)(5), incorporated by reference in *id.* § 304(d)(1).

The 1976 and 1998 Acts thus reflect Congress's carefully calibrated effort to guarantee publishers the benefits they bargained for—that is, the amount of copyright protection available when the publisher originally negotiated for and obtained the transfer—while fairly compensating authors by providing them and their families an opportunity to capture the benefits of the extended portion of the copyright term. By providing authors with an "inalienable termination right," *Stewart*, 495 U.S. at 230, Congress thus struck a "practical compromise" to serve both authors and publishers, H.R. Rep. No. 94-1476, at 124 (1976).

2. Petitioners Thom Steinbeck and Blake Smyle are the only living son and granddaughter of author John Steinbeck. In 1938, John granted the exclusive right to publish several of his works authored between 1929 and 1938, including *Of Mice and Men*, to The Viking Press. App., *infra*, 2a-3a. One year later, the 1938 agreement was extended through an option clause to several other works, including 1939's *The Grapes of Wrath*. *Id.* at 3a.

John renewed the copyrights in each of the works for the 28-year renewal term that applied under the then-controlling Copyright Act of 1909, but he obtained little benefit from the renewal term because he had pre-assigned his rights under it to Viking in the 1938 agreement. See App., *infra*, 3a. John died in 1968, survived by his third wife, Elaine, and his

two sons, Thom and John IV, both the offspring of a previous marriage. *Ibid.* John bequeathed to his sons approximately \$50,000 in trust; the copyright interests in his collected works were unmentioned in his will and passed to Elaine through the operation of his will's residuary clause. *Id.* at 3a, 27a-28a.<sup>3</sup>

When the 1976 Act granted the right of termination to authors and their families, Elaine, as John's surviving spouse, held 50 percent of the termination interest, and Thom and John IV, as the author's two surviving children, each held 25 percent. App., *infra*, 28a; 17 U.S.C. § 304(c)(2). Because no person held a majority of the termination interest, it could not be exercised to terminate John's 1938 transfer unless Elaine acted in concert with Thom or John IV, or predeceased them, in which case her 50-percent termination interest would fall to John's children or grandchildren. 17 U.S.C. § 304(c)(2). This situation persisted through 1991, when John IV died, leaving his 25-percent termination interest to his only child, Blake. App., *infra*, 29a.<sup>4</sup>

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<sup>3</sup> Section 24 of the Copyright Act of 1909, still in effect at the time of Steinbeck's death, provided that, when an author was deceased, the right to renew a copyright for a second 28-year term could be exercised by the author's widow or children. 35 Stat. 1075, codified at 17 U.S.C. § 24 (Supp. 5 v.1 1947). The 1976 Act likewise provided that, for works still in their initial 28-year term on January 1, 1978, "the widow, widower, or children of the author . . . shall be entitled to a renewal and extension of the copyright." 17 U.S.C. § 304(a) (1982). In 1983, Thom, John IV, and Elaine agreed that each would have a one-third share in the renewal interest in Steinbeck's works still in their initial term at the time of his death (*i.e.*, the works authored after 1941). App., *infra*, 28a n.13, 37a n.28.

<sup>4</sup> The 1983 agreement also granted Elaine a power of attorney to exercise Thom's and John IV's (later, Blake's) termina-

[Footnote continued on next page]

In 1994, after the 1976 Act's termination window had closed with respect to some of John's early works, but before it had closed with respect to his best-known works including *Tortilla Flat*, *Of Mice and Men*, and *The Grapes of Wrath*, Elaine (then age 80) entered into a contract with Penguin Group (USA) Inc., to which Viking had assigned the rights flowing from the 1938 agreement. App., *infra*, 3a, 30a-31a. The 1994 agreement re-granted the rights that John had assigned in 1938, and it also added several works, including works authored by Elaine, and otherwise changed the economic terms of the agreement to Elaine's benefit. *Id.* at 3a-4a. The agreement stated that, "when signed by Author and Publisher, [it] will cancel and supersede the previous agreements, as amended, for the [works] covered hereunder." *Id.* at 4a (internal quotation marks omitted; alterations in original). Yet the agreement also contemplated the future exercise of termination rights, stating, "If Elaine Steinbeck exercises her right to terminate grants made to Publisher in this agreement (in accordance with Section 304(c) of Title 17 of the U.S. Code) . . . ." *Id.* at 32a (internal quotation marks omitted).

Neither Thom nor Blake was a party to the 1994 agreement and neither has received any benefit from it.

Elaine died in 2003. She bequeathed John's copyright interests in the relevant works and all the

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[Footnote continued from previous page]

tion interests on their behalf. But, as the court below observed, "it is unclear that her exercise of those rights would have been valid." App., *infra*, 17a n.5. The fiduciary duty arising from her role as attorney-in-fact would have prohibited Elaine from exercising those rights to Thom or Blake's detriment. *In re Estate of Ferrara*, 852 N.E.2d 138, 143-44 (N.Y. 2006).

proceeds from the 1994 agreement to her offspring from a previous marriage—all unrelated to John—who are the individual respondents here. App., *infra*, 4a, 29a. Elaine's termination interest passed by statute to Thom and Blake, giving them each a 50% termination interest. *Id.* at 29a. By that time, the termination right granted by the 1976 Act had expired as to all of the works covered by John's 1938 agreement with Viking. But the 1998 CTEA revitalized those termination rights, granting the family members holding those rights an ability to capture the value arising from the CTEA's 20-year extension of the copyright term by exercising the termination right within five years after 75 years from the date the work in question was copyrighted. 17 U.S.C. § 304(d).

In 2004, 75 years after John Steinbeck published his first novel, *Cup of Gold*, Thom and Blake, finally in possession of a majority of the termination interest in John's works, jointly served on Penguin a notice of termination of the transfers of the copyright interests in the works covered by the 1938 agreement. App., *infra*, 4a.

3. Penguin filed suit against Thom and Blake in the United States District Court for the Southern District of New York, seeking a declaratory judgment that the termination notice was invalid. App., *infra*, 10a. Thom and Blake filed a related suit against the individual respondents, who counterclaimed that the notice was invalid. *Ibid.* The district court consolidated the suits to rule on the validity of Thom and Blake's termination notice. *Id.* at 27a.

On cross-motions for summary judgment, the district court upheld Thom and Blake's termination notice under Section 304(d). The court rejected Penguin's contention that the 1994 agreement extinguished Thom and Blake's termination rights by



cancelling the pre-1978 grants to which the termination right applied. App., *infra*, 33a n.23, 34a. The court concluded that, "to the extent that the 1994 Agreement would strip Thom and Blake . . . of their inalienable termination rights in the pre-1978 grants, it is void as an 'agreement to the contrary.'" *Id.* at 33a (quoting 17 U.S.C. § 304(c)(5)).

The district court explained that Congress created the termination right "to provide successors in interest with an opportunity to obtain the fair value of the work by negotiating new terms for previously granted rights once the work's true value has appeared." App., *infra*, 25a-26a (citing 3-11 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 11.01[A]). Moreover, Congress provided that the right could be exercised "notwithstanding any agreement to the contrary," a statutory prohibition on eliminating termination rights by contract that "is intended to be broadly applied to invalidate such unlawful contracts and liberally protect termination rights." *Id.* at 26a & n.10 (citing *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002), and *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774 (2d Cir. 1992)).

The district court also emphasized that the 1994 agreement "explicitly carries forward possible future termination under the statute." App., *infra*, 32a. As a result, "[t]he contention that the 1994 Agreement extinguished the very termination right that it expressly acknowledges both exists and flows from the 1930s copyrights necessarily fails." *Id.* at 32a-33a.

4. The United States Court of Appeals for the Second Circuit reversed, concluding that the termination notice was invalid. App., *infra*, 2a. The court of appeals held that the 1994 contract between Elaine and Penguin terminated and superseded the 1938 agreement and therefore "le[ft] in effect no pre-

1978 grants to which the termination rights provided by section 304(d) could be applied." *Id.* at 11a.

The Second Circuit disagreed with the district court's conclusion that the 1994 contract was an invalid "agreement to the contrary," believing instead that parties to a contract may "eliminat[e] . . . a termination right through termination of a pre-1978 contractual grant." App., *infra*, 18a. Although the 1994 agreement addressed the future exercise of termination rights, the court of appeals believed that "[n]one of the parties could have contemplated [in 1994] that Congress would create a second termination right" in 1998, and therefore the 1994 agreement could not be an "agreement to the contrary." *Id.* at 17a.

### REASONS FOR GRANTING THE PETITION

This Court should grant certiorari to clarify the meaning of 17 U.S.C. § 304, which conferred upon authors and certain enumerated family members a new, inalienable property right—the right to terminate pre-1978 transfers of copyright “notwithstanding any agreement to the contrary.” The court of appeals incorrectly held that petitioners were divested of their statutory termination right by a contract that purported to re-transfer the very rights previously assigned. That decision conflicts with the Ninth Circuit’s opinion in *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008). It also contributes to the Second and Ninth Circuit’s fractured jurisprudence interpreting the Copyright Act’s “agreement to the contrary” language, which has created substantial confusion and uncertainty regarding the circumstances in which a contract may validly abrogate termination rights. Particularly given the unique importance of the Second and

Ninth Circuits in articulating and developing federal copyright law, this Court's review is warranted.

**I. THE SECOND AND NINTH CIRCUITS ARE INTRACTABLY DIVIDED ON THE QUESTION PRESENTED.**

The decision below squarely conflicts with the Ninth Circuit's decision in *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008), which held that a 1978 contract that purported to re-grant certain pre-1978 transfers could not extinguish a statutory heir's right to terminate a pre-1978 grant. Indeed, *Mewborn* prominently and approvingly cited the district court's now-vacated decision in this case, including its conclusion that, "so far as the effect of the later agreement may be to preclude the exercise of inalienable termination rights by Steinbeck's heirs, 'it [was] void as an 'agreement to the contrary' pursuant to 17 U.S.C. § 304(c)(5)' and 'must be set aside as contrary to the very purpose of the termination statute.'" 532 F.3d at 986 (quoting *Steinbeck*, App., *infra*, 33a & n.23) (alteration in original).

This division between the Second and Ninth Circuits is particularly problematic "given the importance of those two circuits in interpreting copyright law generally." Allison M. Scott, *Oh Bother: Milne, Steinbeck, and an Emerging Circuit Split over the Alienability of Copyright Termination Rights*, 14 J. Intell. Prop. L. 357, 360 (2007); see Julie E. Cohen *et al.*, *Copyright in a Global Information Economy* 336 (2d ed. 2006) (the Second and Ninth Circuits "tend to be leaders in the copyright field given the presence of substantial publishing, entertainment, and software companies in their jurisdictions"). This Court should grant certiorari to bring national uniformity to the interpretation of the inalienable termination right granted to authors and their families by Congress in 17 U.S.C. § 304.



1. *Mewborn* involved rights in the story and novel *Lassie Come Home*. Author Eric Knight registered copyrights for the story in 1938 and the novel in 1940; his statutory heirs renewed the rights between 1965 and 1967. 532 F.3d at 980. In 1976, Mewborn—one of four heirs to the renewal-term interest in Knight's works—assigned her one-quarter interest in the film, TV, and radio rights to appellee Classic's predecessor-in-interest. *Ibid.* Over the next two years, Classic's predecessor-in-interest obtained assignments from Mewborn's sisters for their shares of the same rights, plus some ancillary rights such as dramatic, merchandising, and recording rights. *Ibid.* After the Copyright Act of 1976 went into effect on January 1, 1978, Mewborn signed a second contract with Classic's predecessor-in-interest that reproduced the language of the 1976 contract and granted Mewborn's interest in the ancillary rights "in addition to" the rights granted under the 1976 agreement. *Id.* at 980–81.

In 1996, 56 years after her father registered the copyright for the *Lassie Come Home* novel, Mewborn served on Classic's predecessor-in-interest a notice of termination of her 1976 assignment of the *Lassie* film, TV, and radio rights. 532 F.3d at 981. Classic eventually sued for a declaratory judgment that Mewborn's termination notice was ineffective. *Ibid.* Mirroring the decision of the Second Circuit here, the *Mewborn* district court held that Mewborn's 1978 agreement re-granting the *Lassie* rights had relinquished by contract her statutory right to terminate the 1976 transfer. *Id.* at 982.

The Ninth Circuit reversed, holding that the 1978 purported re-grant of the rights assigned in 1976 could not destroy Mewborn's termination right and that, accordingly, Mewborn had validly terminated the 1976 transfer. Characterizing the issue as "whether the [Copyright] Act's termination of trans-

fer right . . . can be extinguished by a post-1978 re-grant of the very rights previously assigned before 1978," the Court concluded that "such a result would circumvent the plain statutory language of the 1976 Act, as well as the congressional intent to give the benefit of the additional renewal term to the author and his heirs." 532 F.3d at 979–80. As a result, the Court concluded, "the post-1978 assignment did not extinguish Mewborn's statutory termination right." *Id.* at 980.

Relying on the district court's decision in this case, the Ninth Circuit rejected Classic's argument that the 1978 agreement contractually precluded Mewborn from exercising her right to terminate the 1976 agreement because, among other reasons, that would have rendered the 1978 agreement "void as an 'agreement to the contrary' pursuant to § 304(c)(5)." 532 F.3d at 986. The court similarly emphasized that the termination right is "*inalienable*," as this Court has recognized, *id.* at 983 (quoting *Stewart v. Abend*, 495 U.S. 207, 218–19 (1990)) (emphasis in original), and that a principal purpose of the termination right was "to assure that [the extended copy-right term's] new benefits would be for the authors and their heirs," *id.* at 984, rather than "a windfall for grantees," *id.* at 985.

2. The Second Circuit held below that the 1994 agreement extinguished Thom and Blake's statutory right to terminate the 1938 agreement. This is flatly inconsistent with the Ninth Circuit's holding that an attempted re-grant would be an invalid "agreement to the contrary." 532 F.3d at 980, 986. Yet the Second Circuit did not meaningfully attempt to reconcile its decision with *Mewborn*, cavalierly dismissing the authority in a *cf.* citation. App., *infra*, 20a.

In the parenthetical to its sole citation of *Mewborn*, the Second Circuit characterized the case as

follows: "termination right preserved, notwithstanding a March 1978—i.e. post-1978—grant of rights, where termination right could not have been exercised until 1984 at the earliest, and where '[n]either party intended to revoke and replace (or even modify)' a 1976 grant of rights." App., *infra*, 20a (quoting *Mewborn*, 532 F.3d at 989). Neither of these two attempts to distinguish *Mewborn* is persuasive.

The fact that the termination right in *Mewborn* could not have been exercised at the time of the re-grant is no distinction at all. In 1994, the 1976 Act's termination right had expired with respect to several of Steinbeck's works and, to the extent the termination right remained alive, the Second Circuit itself recognized that "the Steinbeck Descendants could not have exercised their termination rights [under Section 304(c)] in 1994 because they lacked more than one-half of the author's termination interest." App., *infra*, 17a. Moreover, when Elaine entered into the 1994 agreement, the termination right Thom and Blake later sought to exercise—that of Section 304(d)—had not yet been created by Congress.

Similarly unpersuasive is the Second Circuit's reliance on the fact that the re-grant in *Mewborn* did not explicitly terminate the earlier grant. The Ninth Circuit mentioned this fact to distinguish its earlier decision in *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006), discussed in more detail below, *see infra* at 20–23, which held that the revocation and re-granting of an existing transfer can in some circumstances amount to a *de facto* termination—"tantamount to following the statutory formalities," *Mewborn*, 532 F.3d at 987.

The re-grant in *Milne* "was not 'any agreement to the contrary,'" the Ninth Circuit explained in *Mewborn*, because it was "consistent with, and . . . fully

honored [the] right of termination," which the statutory heir had used as leverage to negotiate a better deal. 532 F.3d at 988 (emphasis in original). In *Mewborn*, by contrast, there was no "evidence in the record [that the parties], when entering into the 1978 Agreement, considered Mewborn's termination rights under § 304(c), or that Mewborn intended to waive or relinquish them." 532 F.3d at 989.

*Steinbeck* is indistinguishable from *Mewborn* in this respect. Neither Thom nor Blake was a party to (nor, for that matter, received any benefit from) the 1994 agreement, so there could be no suggestion that they intended to relinquish their termination rights. To the contrary, the evidence is clear that even Elaine, who *was* a party, did not intend the 1994 agreement as a *de facto* termination: Holding only half of the termination interest, Elaine could not alone wield a credible threat of termination, and, in fact, the agreement explicitly contemplated that termination rights would survive. See App., *infra*, 32a–33a. Thus, even if *Milne* had been correct to recognize an exception for renegotiations by holders of ripe termination interests in lieu of termination—and Section 304's use of the language "notwithstanding any agreement to the contrary" (emphasis added) strongly suggests that *Milne* was not correct in this respect—that would not be a basis for distinguishing this case from *Mewborn*.

Indeed, this case cannot meaningfully be distinguished from *Mewborn*—a point that the Ninth Circuit confirmed by relying on the district court decision below as one of its two principal authorities. See 532 F.3d at 986. Yet the two cases reach contrary results. This conflict of authority—over a provision so central to Congress's decisions twice to extend copyright terms—warrants the Court's intervention.

## II. ONLY THIS COURT'S REVIEW CAN RESOLVE THE CONFUSED AND FRACTURED CASELAW THAT PERVADES THE TWO CIRCUITS THAT ARE MOST IMPORTANT ON MATTERS OF COPYRIGHT LAW.

The decision below not only creates a clear split between the Second and Ninth Circuits but also further confuses an already fractured jurisprudence regarding what constitutes an "agreement to the contrary" under Sections 203 and 304. Indeed, even before the decisions in *Mewborn* and this case, commentators had already recognized an emerging division of authority between the Second and Ninth Circuits. See, e.g., Scott, *Oh Bother: Milne, Steinbeck, and an Emerging Circuit Split over the Alienability of Copyright Termination Rights*, *supra*, at 360. This Court's review is warranted to resolve when, if ever, agreements between publishers and copyright holders may validly abrogate statutory termination rights.

1. The Second and Ninth Circuit caselaw has splintered on whether a contract formed before the statutory heirs could exercise their termination rights can qualify as an "agreement to the contrary." The court below held that the 1994 agreement was not an "agreement to the contrary" because it "did not divest the Steinbeck Descendents of any termination right under section 304(d) when the parties entered into that agreement." App., *infra*, 16a-17a; see also *id.* at 17a (noting that "the Steinbeck Descendents could not have exercised their termination rights in 1994 because they lacked more than one-half of the author's termination interest," and "[n]one of the parties could have contemplated [in 1994] that Congress would create a second termination right four years later"). By contrast, *Mewborn* empha-



sized, as a factor showing that the termination right had *not* been extinguished, that "Mewborn in 1978 [when she purportedly re-granted the relevant rights] did not even have the right to serve an advance notice of termination so as to vest her termination rights as to the Lassie Works." 532 F.3d at 987. Indeed, even the Second Circuit has held that a contract formed in 1969—*i.e.*, before any termination right existed—was an unenforceable "agreement to the contrary." *See Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 290 (2d Cir. 2002).

*Marvel Characters* involved copyrights in *Captain America Comics*. In 1940, Timely—the predecessor-in-interest to appellee Marvel Characters—published the first issue of *Captain America Comics*, attributing authorship to appellant Joseph H. Simon and to Jack Kirby. 310 F.3d at 282. In 1941, Marvel published the second through tenth issues of *Captain America Comics* and obtained copyrights for each issue it had published. *Ibid.*

As the initial 28-year term of copyright protection in the *Captain America* works neared its end, Simon sued Timely. Simon argued that he was the author of the 1940 and 1941 *Captain America* works and "sought a declaratory judgment that he, as the author of the Works, had the sole and exclusive right to the renewal term of the copyright in the Works." 310 F.3d at 283. Timely denied that Simon was the sole author of the works and argued "that Simon's contributions to the Works were made as an 'employee for hire.'" *Ibid.* In 1969, Timely and Simon entered into a settlement agreement in which Simon acknowledged that he contributed to the works as an employee for hire and assigned to Timely "any and all right, title and interest he may have or control" in

the works. *Id.* at 284 (internal quotation marks omitted).

In 1999, Simon filed notices of termination to recapture the copyrights he had granted in the *Captain America* works. 310 F.3d at 284. In those notices, Simon declared "that he independently created the Captain America character and authored the first issue in the Captain America comic book series, and that he was 'neither an employee for hire nor a creator of a work for hire.'" *Id.* at 284-85. Marvel sued, seeking a declaratory judgment that the notices were invalid. Marvel argued that the 1976 Act's termination right "did not apply to Simon because the Settlement Agreement expressly stated that he was not the author of the Works for copyright purposes," *id.* at 285, and the statutory termination right applies only to copyrights "other than a copyright in a work made for hire," 17 U.S.C. § 304(c). The district court granted summary judgment to Marvel, holding that the notices were invalid and that Marvel was the sole owner of the works. 310 F.3d at 285.

The Second Circuit reversed, concluding that the 1969 settlement agreement—which designated Simon's contribution as "for hire" and thus purported to eliminate his termination right—was an invalid "agreement to the contrary" under Section 304(c)(5). 310 F.3d at 290. The court placed heavy emphasis on Congress's decision that authors should be able to renegotiate earlier grants when the true value of their works becomes known:

The principal purpose of the amendments in § 304 was to provide added benefits to authors. The . . . concept of a termination right itself, w[as] obviously intended to make the rewards for the creativity of authors more substantial. More particularly,

the termination right was expressly intended to relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product.

310 F.3d at 290 (quoting *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172-73 (1985)) (omission and alteration in original; internal quotation marks omitted).

The court looked also to the background of the 1976 Act, which responded in part to this Court's decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943). *Fred Fisher* held that an author could assign both the initial and renewal terms at the same time—despite Congress's intention that the renewal term be reserved for authors so that they could share in the benefits of their creativity. See *Marvel Characters*, 310 F.3d at 284. As *Marvel Characters* explained, after *Fred Fisher*, "publishers began to insist that authors assign both their initial and renewal rights to them in one transfer," which had the "natural effect of . . . eliminat[ing] the author's renewal right under the 1909 Act." *Ibid.* The 1976 Act "[r]espond[ed] to the continual erosion of authors' rights" under the 1909 Act by extending the duration of copyrights and providing a robust termination right. *Ibid.*

In light of this legislative backdrop, *Marvel Characters* concluded that "the clear Congressional purpose behind § 304(c) was to prevent authors from waiving their termination right by contract." 310 F.3d at 290; see also *Stewart*, 495 U.S. at 230 ("The 1976 Copyright Act provides . . . an inalienable termination right."). Given the text of the statute, as well as the intent and purpose behind the termination right, the court held that the 1969 settlement agreement was "clear[ly] . . . an 'agreement to the



contrary.” *Marvel Characters*, 310 F.3d at 290. If such an agreement were upheld, “the termination provision would be rendered a nullity”—a consequence that “would likely repeat the result wrought by the *Fred Fisher* decision and provide a blueprint by which publishers could effectively eliminate an author’s termination right.” *Id.* at 290–91.

The court of appeals below attempted to reconcile its decision with *Marvel Characters* by arguing that “*Marvel* concludes only that backward-looking attempts to recharacterize existing grants of copyright so as to eliminate the right to terminate under section 304(c) are forbidden by section 304(c)(5). There was no such attempt at recharacterization here.” App., *infra*, 18a. But Section 304(c)(5) does not prohibit only “recharacterization[s].” Instead, it allows authors and their heirs to exercise termination rights “notwithstanding *any* agreement to the contrary” (emphasis added). The court of appeals did not—and could not—explain why coercing authors to recharacterize works is more problematic, under Section 304(c)(5)’s plain language, than a copyright holder’s agreement with the publisher to destroy the termination rights accorded to statutory heirs by Congress or any other attempted end-run around statutory termination rights.

In any event, the court of appeals’ palpably unenthusiastic hair-splitting cannot obscure the fact that—consistent with *Mewborn* but contrary to the decision below—*Marvel Characters* recognizes that a contract can constitute an invalid “agreement to the contrary” even if it was executed before Congress created the relevant termination rights. This Court’s review of the issue is warranted.

2. The Second and Ninth Circuits have also divided on whether the parties may abrogate termination rights by contract where the statutory heirs

used the threat of termination as leverage to renegotiate the original grant in their favor. In *Milne v. Stephen Slesinger, Inc.*, the Ninth Circuit held that an agreement by the sole holder of an exercisable statutory termination right to re-grant the relevant copyright interests effectively extinguished the statutory right of termination: "Congress . . . anticipated that parties may contract, as an alternative to statutory termination, to revoke a prior grant by replacing it with a new one," 430 F.3d at 1046, which *Mewborn* explained was "tantamount to following the statutory formalities," 532 F.3d at 987. In the decision below, by contrast, the Second Circuit held that *Elaine's* re-grant successfully extinguished *Thom and Blake's* termination right even though the re-grant was *not* an alternative to termination: Elaine could not alone exercise the statutory termination right, and the 1994 agreement "explicitly contemplated the future exercise of termination rights." App., *infra*, 10a (summarizing district court decision); see also *id.* at 32a–33a.

*Milne* involved rights in *Winnie-the-Pooh* and related works by author A.A. Milne. In 1930, A.A. Milne granted copyrights in several *Winnie-the-Pooh* works to Stephen Slesinger, who then transferred those rights to Stephen Slesinger, Inc. (SSI). 430 F.3d at 1039. In 1983, A.A. Milne's son, Christopher Robin Milne, entered into a contract with SSI that revoked the 1930 grant but immediately re-issued the copyrights to SSI. *Id.* at 1040. At the time the 1983 contract was negotiated and signed, Christopher Robin possessed the power to terminate the 1930 transfer, but he did not exercise that termination right, choosing instead to "us[e] the bargaining power conferred by his termination righ[t]" to "negotiat[e] . . . a more lucrative deal." *Id.* at 1040. In 2002—after the CTEA was enacted—A.A. Milne's

granddaughter, Clare, attempted to terminate the A.A. Milne's original 1930 grant. *Id.* at 1041.

The district court held that the termination notice was invalid, and the Ninth Circuit affirmed. Because Christopher Robin's 1983 contract purported to revoke his father's 1930 transfer, the Ninth Circuit concluded that there remained no transfer to which the Section 304(d) termination right could apply. 430 F.3d at 1042-43. Christopher Robin's 1983 agreement was not an "agreement to the contrary," the court held, because he had employed an "alternative to statutory termination" by using the "perceived right to terminate as a valuable bargaining chip . . . to obtain an advantageous agreement." *Id.* at 1046. "Although Christopher [Robin] presumably could have served a termination notice, he elected instead to use his leverage to obtain a better deal . . ." *Id.* at 1045.

The Ninth Circuit has confined the holding in *Milne* to these facts. Characterizing the agreement in *Milne* as "*sui generis*," *Mewborn* explained that the *Milne* termination rights were validly abrogated only because Christopher Robin's renegotiation was "tantamount to following the statutory formalities" of terminating a grant and then negotiating a new grant. 532 F.3d at 987. Christopher Robin used his power to terminate to "enter into a highly remunerative new grant"—by some estimates in the hundreds of millions of dollars, see *Milne*, 430 F.3d at 1040-41—thereby "achiev[ing] the exact policy objectives for which § 304(c) was enacted." *Mewborn*, 532 F.3d at 987.

As an initial matter, it is hardly clear that the statutory text admits of an exception to the rule that "agreement[s] to the contrary" cannot destroy termination rights, even if the agreement allegedly "achieves" Congress's objectives. 532 F.3d at 987.

Section 304(c)(5) provides without qualification that termination rights may be exercised “notwithstanding *any* agreement to the contrary” (emphasis added).

It is, however, clear that, even on *Milne*’s interpretation of the “agreement to the contrary” provision, the re-grant at issue in this case could not validly have abrogated Thom and Blake’s termination right because that re-grant was not “tantamount to following the statutory formalities.” *Mewborn*, 532 F.3d at 987. Instead, the parties to the 1994 agreement—which did not include Thom and Blake, who together possessed half of the termination interest—“explicitly contemplated the future exercise of termination rights.” App., *infra*, 10a (summarizing district court decision); *see also id.* at 32a–33a. This Court’s review is warranted to resolve whether and under what circumstances a *de facto* exercise of the termination right amounts to an “agreement to the contrary.”

### III. THE QUESTION PRESENTED IS RECURRING AND EXTREMELY IMPORTANT TO THE MAINTENANCE OF CONGRESS’S COPYRIGHT BARGAIN.

This case raises an important, recurring issue regarding the scope of the “agreement to the contrary” provision in Section 304. That provision governs the rights to some of the world’s most significant copyrighted works—a point amply illustrated by the cases in which this issue has already been litigated. *See Steinbeck*, App., *infra*, 2a (*The Grapes of Wrath*, *Of Mice and Men*, and others of Steinbeck’s “best-known works”); *Mewborn*, 532 F.3d at 979 (“world-famous children’s story and novel, *Lassie Come Home*”); *Milne*, 430 F.3d at 1039 (*Winnie-the-*

*Pooh* and other "classic children's books" featuring Christopher Robin and his stuffed bear); *Marvel Characters*, 310 F.3d at 282 ("now-iconic *Captain America Comics*"). Authors and their families, like publishers, are entitled to certainty with respect to the allocation of the billions of dollars to be generated by these and other works during the 39 years of extended copyright protection. The Ninth Circuit's interpretation of Section 304's "agreement to the contrary" provision secures the value of the extended terms for authors and their families, just as Congress intended. The Second Circuit's interpretation allows publishers to contract around the termination right and arrogate that value to themselves. This uncertainty, with outcomes perhaps depending on a publisher's choice of forum, cannot be allowed to persist.

Yet this issue is certain to recur for decades, as Section 304(c) grants authors and their families the power to terminate grants of copyrights obtained as late as December 31, 1977. See 17 U.S.C. § 304(c). Because the termination rights must be invoked "during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured," *id.* § 304(c)(3), termination under Section 304(c) may occur as late as December 31, 2038 (*i.e.*, 61 years after December 31, 1977). Between now and then, authors and their families are in jeopardy of losing their termination rights through contractual end-runs of the sort at issue here. And if publishing companies are permitted to frustrate termination rights—as the decision below allows—then those companies will be able to retain exclusive rights until as late as December 31, 2072, cheating authors' families of the benefits of the CTEA's ex-



tended copyright term. *See id.* § 304(b) (applying 95-year term to pre-1978 copyrights).<sup>5</sup>

Indeed, questions regarding the proper interpretation of the "agreement to the contrary" provision will arise indefinitely because precisely the same language is included in Section 203(a)(5), which allows termination of grants executed by the author in or after 1978. 17 U.S.C. § 203(a)(5) ("Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant."). Absent this Court's intervention, publishers in the Second Circuit will be able to retain copyright protection in these grants for up to 70 years after an author's death. *See id.* § 302(a) (applying copyright term consisting of author's life plus 70 years for works created in or after 1978).

In addition to the serious financial consequences of the Second Circuit's decision, this case raises fundamental questions regarding congressional copyright policy. In particular, the decision threatens to undermine Congress's decision to allocate the benefits of extended copyright protection to authors and their families rather than to publishers.

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<sup>5</sup> The termination right under Section 304(d) will also continue well into the future. That right applies to works for which the Section 304(c) termination right had expired by October 27, 1998 (the CTEA's effective date) but that were still in their renewal term on that date. 17 U.S.C. § 304(d). Under Section 304(d), a work whose termination right had expired on October 26, 1998 would now have a termination right that could be exercised from October 26, 2012 to October 26, 2017. *See id.* § 304(c), (d). The decision below will allow publishers to enjoy copyright protection in such works until 2032. *See id.* § 304(b).

Publishing companies thwarted Congress's earlier attempt, in the 1909 Act, to establish a national copyright regime that adequately protected and compensated authors and their families.<sup>6</sup> Congress has now twice lengthened the renewal copyright term, and on both occasions it enacted termination rights designed to secure the benefits of that extended term for authors and their families "notwithstanding any agreement to the contrary." 17 U.S.C. § 304(c)(5), (d)(1); *see also* H.R. Rep. No. 94-1476, at 124. Congress understood that authors and their families often face financial pressures in vulnerable times, which cause them to surrender copyrights prematurely. Congress knew that only an "inalienable" (*Stewart*, 495 U.S. at 230) power to recapture such rights would enable authors and their families to garner the value of the extended term. Despite the statute's unambiguous text, legislative history, and context, the Second Circuit's decision once again allows publishers to subvert the congressional design.

Indeed, the Second Circuit's decision threatens to foil Congress's efforts even more substantially than was possible under the 1909 Act. Although this Court's decision in *Fred Fisher* permitted publishers to coerce authors to contract away their renewal rights, the decision did not allow an author to con-

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<sup>6</sup> Compare *Stewart*, 495 U.S. at 218-19 (the renewal term was created to "permi[t] the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work has been tested."), and H.R. Rep. No. 60-2222, at 14 (1909) ("[I]t should be the exclusive right of the author to take the renewal term, and the law should be framed . . . so that [the author] could not be deprived of that right."), with *Fred Fisher*, 318 U.S. 643 (1943) (upholding publishers' practice of requiring authors to assign both their initial and renewal rights to the publisher at the same time).

tract away the right of surviving family members to renew the copyrights if the author died before the renewal period. See *Stewart*, 495 U.S. at 219–21; *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373, 375 (1960). The decision below, however, permits some surviving family members to contract away the termination rights of the other family members—without regard to the congressional allocation of termination interests.

\* \* \*

This case presents an ideal vehicle for this Court to resolve the question whether the right to terminate a pre-1978 transfer of copyright may be extinguished by a later re-grant of the same rights—and thus to clarify the scope of the “agreement to the contrary” provision. This issue has spent years percolating in the lower courts, which have been unable to reach any coherent answers. The splintered caselaw has created substantial uncertainty that threatens the faithful administration of congressional copyright policy. This Court’s review is warranted.

### CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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February 13, 2009



# APPENDIX

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**APPENDIX A**

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**United States Court of Appeals, Second Circuit.**

**PENGUIN GROUP (USA) INC., Plaintiff-  
Appellant,**

**Waverly Scott Kaffaga, individually as  
Executor of the Estate of Elaine Anderson  
Steinbeck, David Scott Farber, Anderson  
Farber Runkle, Jebel Kaffaga, Bahar Kaffaga  
and Jean Anderson Boone, Defendants-  
Counterclaim-Plaintiffs-Appellants,**

**v.**

**Thomas STEINBECK and Blake Smyle,  
Plaintiffs-Counterclaim-Defendants-  
Appellees,**

**Nancy Steinbeck, Intervenor-Plaintiff,**

**McIntosh & Otis, Inc., The Steinbeck Heritage  
Foundation, Eugene H. Winick, Samuel Pinkus  
and Steven Frushtick, Defendants-  
Counterclaim-Plaintiffs,**

**Francis Anderson Atkinson and Does 1-10,  
Defendants.**

**Docket Nos. 06-3226-cv, 06-3696-cv.**

**Argued: Jan. 23, 2008.**

**Decided: Aug. 13, 2008.**

Before: SACK, KATZMANN, and RAGGI, Circuit Judges.

SACK, Circuit Judge:

This is an appeal from an order of the United States District Court for the Southern District of New York (Richard Owen, *Judge*) granting summary judgment to the appellees Thomas Steinbeck and Blake Smyle based on the court's conclusion that a "notice of termination" given in 2004 that purported to terminate, pursuant to the Copyright Act, 17 U.S.C. § 304(c) and (d), the 1938 grant of copyright licenses by the author John Steinbeck, was valid. We consider on appeal whether an agreement entered into in 1994 between Steinbeck's widow and the publisher terminated and superseded the 1938 agreement, and, if so, whether the termination notice is therefore ineffective. Because the termination right provided by section 304(d) pursuant to which the 2004 termination notice was issued applies only to pre-1978 grants of transfers or licenses of copyright, and because the 1994 agreement left intact no pre-1978 grant for the works in question, we conclude that the 2004 notice of termination is ineffective. The 1994 agreement remains in effect.

## BACKGROUND

### *Grants of Licenses of Copyright*

On September 12, 1938, the author John Steinbeck executed an agreement with The Viking Press (the "1938 Agreement") that established the terms for the latter's publication of some of Steinbeck's best-known works, including *The Long Valley*, *Cup of Gold*, *The Pastures of Heaven*, *To A God Unknown*, *Tortilla Flat*, *In Dubious Battle*, and *Of Mice and Men*, in all of which Steinbeck held the

copyright. In 1939, the agreement was extended to apply to four later works, including *The Grapes of Wrath*, through the operation of an option clause in the agreement. The rights granted by the 1938 Agreement were later assigned by Viking to plaintiff-appellant Penguin Group (USA) Inc. ("Penguin"), and the duties thereunder assumed by Penguin. The 1938 Agreement provided to the publisher, who agreed to take out copyrights in the covered works in Steinbeck's name, the "sole and exclusive right" to publish the works in the United States and Canada, with Steinbeck receiving royalties based on net sales. The agreement would terminate if any of the covered works were not kept in print. The agreement was "binding upon [John Steinbeck's] heirs, executors, administrators or assigns."

During his lifetime, Steinbeck renewed the copyrights in the works covered by the 1938 Agreement so that they enjoyed protection under both of the consecutive 28-year copyright terms provided for by the version of the Copyright Act in effect at the time. When Steinbeck died in 1968, he bequeathed his interest in these copyrights to his widow, Elaine Steinbeck. His sons by a previous marriage, Thomas and John IV, each received a bequest of \$50,000 in a trust arrangement.

On October 24, 1994, Elaine Steinbeck and Penguin entered into a "new agreement for continued publication" (the "1994 Agreement"). It addressed the publication by Penguin of all works that were covered by the 1938 Agreement. It added several other early Steinbeck works, some of his posthumous works, and some of Elaine Steinbeck's own works. It also changed the economic terms of the 1938 Agreement, mostly to Elaine Steinbeck's

benefit, by requiring Penguin to provide a far larger annual guaranteed advance, and royalties of between ten and fifteen percent of retail (rather than wholesale) sales. The 1994 Agreement further stated that "when signed by Author and Publisher, [it] will cancel and supersede the previous agreements, as amended, for the [works] covered hereunder."<sup>1</sup>

Elaine Steinbeck died in April 2003, bequeathing her copyright interests in the Steinbeck works at issue, as well as proceeds from the 1994 Agreement, to various testamentary heirs including her children and grandchildren from a previous marriage, but she specifically excluded Thomas Steinbeck, John Steinbeck IV, and their heirs. Her statutory termination rights expired upon her death.

On June 13, 2004, John Steinbeck's surviving son Thomas, and Blake Smyle, the sole surviving child of Steinbeck's other son, the deceased John IV, (collectively the "Steinbeck Descendants") served what purported to be a notice of termination (the "Notice of Termination") on Penguin terminating the "grants" made by the 1938 Agreement to Penguin's predecessor-in-interest (Viking).

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<sup>1</sup> A separate agreement was executed on the same day by Penguin and by Elaine Steinbeck, acting on her own behalf and on behalf of Thomas Steinbeck. Thomas Steinbeck ratified this agreement on December 22, 1994, on behalf of the other Steinbeck Descendants. This agreement, which itself is not at issue on this appeal and which governed works of John Steinbeck that are not at issue on this appeal, obligated Penguin to pay higher royalties for these works to Elaine Steinbeck and the Steinbeck Descendants.

*Statutory Background*

The Copyright Act gives to authors and certain enumerated family members the power to terminate prior grants of transfers or licenses of copyright. This power is based on Congressional recognition that young authors frequently enter into long-term contracts with publishers when their bargaining power is weak and their prospects for success uncertain, and discover increased leverage only when they later achieve commercial success. Indeed, in an effort to balance the interests of publishers and authors, Congress enacted provisions in the Copyright Act that "attempted to give the author a second chance to control and benefit from his work" and to "secure to the author's family the opportunity to exploit the work if the author died." *Stewart v. Abend*, 495 U.S. 207, 218 (1990). Congress permitted a publisher the opportunity to reap the initial rewards of an early investment in young talent, but it allowed authors to revisit the terms of earlier grants of rights once the long-term success of their works became apparent. *See id.*

When John Steinbeck entered into the 1938 Agreement with Viking Press, the Copyright Act of 1909 was in effect. Under that version of the Act, authors were entitled to a copyright in their works for an initial twenty-eight year period beginning on the date of a work's publication. After this period expired, the author had the right to renew the copyright for a second twenty-eight year term. The purpose of providing this renewal term was to permit "the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work ha[d] been tested." *Stewart*, 495 U.S. at 218-19; accord *Marvel Characters, Inc. v. Simon*, 310



F.3d 280, 283 (2d Cir. 2002) (quoting *Stewart*). Publishers could, and often did, thwart the purpose of this statutory scheme, however, by requiring authors to assign both their initial and renewal rights to the publisher at the same time and before the long-term value of an author's work could be ascertained. This practice received the legal imprimatur of the Supreme Court in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), which held that renewal rights could be assigned by an author during a work's initial copyright term and before the vesting of the renewal right. *Id.* at 656-59; see also *Marvel*, 310 F.3d at 284.

The 1976 amendments to the Copyright Act, which took effect in 1978, abandoned this framework. In order to revitalize the ability of authors to revisit the terms of earlier grants of rights, the amended Act replaced the two consecutive twenty-eight year terms with a single copyright term of increased duration,<sup>2</sup> and it created for authors or

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<sup>2</sup> The consecutive-term renewal structure was retained for pre-1978 works, however, because a "great many of the present expectancies in these cases are the subject of existing contracts, and it would [have been] unfair and immensely confusing to cut off or alter these interests." H.R. Rep. No. 94-1476, at 139 (1976), reprinted in 1976 U.S.C.A.N. 5659, 5755. For works still in their renewal term on January 1, 1978, which include the Steinbeck works governed by the 1938 Agreement, the amendments extended the expiration date of the then-governing renewal term until "seventy-five years from the date the copyright was originally secured." 17 U.S.C. § 304(b) (1997). When the Copyright Act was amended in 1998, for works still within this seventy-five year term, the length of the term was extended again to provide those works with a total of

[Footnote continued on next page]

their statutory heirs, with respect to transfers or licenses of copyright effected prior to 1978, an inalienable right to terminate the grant of a transfer or license. 17 U.S.C. § 304(c). The section provides, in pertinent part:

In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, . . . the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by [the author or the author's heirs as specified at section 304(a)(1)(C)], otherwise than by will, is subject to termination under the following conditions:

- (1) . . . In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected . . . by the author who executed it or, if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.
- (2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

. . .

- (B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire

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[Footnote continued from previous page]  
 ninety-five years of copyright protection. Pub. L. No. 105-298,  
 112 Stat. 2827, 2828-29 (1998).

termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.<sup>3</sup>

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later.

...

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

17 U.S.C. § 304(c).

This termination right provides authors or their statutory heirs with an opportunity to recapture some of the additional value produced by the lengthened copyright term. See H.R.Rep. No. 94-1476, at 140 (1976), U.S. Cong. Code & Admin. News 1976, pp. 5659, 5756. It is worth noting that section 304(c), by its terms, does not apply to grants of a transfer or license of the renewal copyright made on or after January 1, 1978. Such grants are subject to the slightly different termination right provided at 17 U.S.C. § 203, which, among other distinctions, applies only to grants made by the author rather

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<sup>3</sup> Prior to her death, Elaine Steinbeck held a one-half interest in the statutory termination rights under 17 U.S.C. § 304(c)(2)(A).

than to grants made by either the author or other parties.

Section 304(c) also provides only a limited five-year window of time "beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later," 17 U.S.C. § 304(c)(3), during which termination rights may be exercised. If the termination right is not exercised during this window, the original grant remains in effect. So, for *Cup of Gold*, the earliest work included in the 1938 Agreement, the termination right under section 304(c) expired on August 2, 1990, and for *The Grapes of Wrath*, the latest work, the right expired on April 14, 2000. It is undisputed, however, that no termination right under section 304(c) was ever exercised with respect to the copyrights covered by the 1938 Agreement.

When the length of the copyright term was extended in 1998, Congress provided an additional window of time corresponding to this extension, during which the same termination right could be, had it not already been, exercised. See 17 U.S.C. § 304(d). For pre-1978 grants whose section 304(c) termination right, as of October 26, 1998, had expired without being exercised, termination could "be effected at any time during a period of 5 years beginning at the end of 75 years from the date copyright was originally secured." *Id.* Section 304(d) otherwise incorporated the conditions specified in section 304(c) including the statutory heirs of an author's termination right. See 17 U.S.C. § 304(d)(1). The Notice of Termination issued in 2004 by the Steinbeck Descendants purported to terminate the 1938 grants of copyright licenses within each work's section 304(d) termination period.

*District Court Proceedings*

Upon receiving the Termination Notice, Penguin filed a complaint in the United States District Court for the Southern District of New York seeking a declaratory judgment against Thomas Steinbeck and Blake Smyle that the notice is invalid. Penguin argued that the 1994 Agreement, to which Elaine Steinbeck was a party, superseded and itself terminated the 1938 Agreement, and that there was therefore no pre-1978 grant of a transfer or license of the renewal copyright to which section 304(d) could be applied.

In a related action, initiated by the Steinbeck Descendants, the estate and heirs of Elaine Steinbeck filed counterclaims seeking an equivalent declaration. The district court consolidated the two actions for the purposes of the summary judgment motions.

In an order issued June 8, 2006 and amended July 18, 2006, the district court disagreed, granting summary judgment against Penguin and Elaine Steinbeck's heirs and, among other things, upholding the validity of the Termination Notice served by the Steinbeck Descendants in 2004. *Steinbeck v. McIntosh & Otis, Inc.*, 433 F.Supp.2d 395, 401 (S.D.N.Y. 2006). The court rejected Penguin's argument that the 1994 Agreement extinguished the section 304(d) termination right, observing that the agreement explicitly contemplated the future exercise of termination rights and that it did not grant Penguin rights that were any greater or lesser than those granted by the 1938 Agreement. *Id.* The court also concluded that "to the extent that the 1994 Agreement would strip [the Steinbeck Descendants] . . . of their inalienable termination rights in the pre-

1978 grants, it is void as an 'agreement to the contrary' pursuant to 17 U.S.C. § 304(c)(5)." *Id.* at 402 (footnote omitted). In the district court's view, "[a]ny interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest—[the Steinbeck Descendants]—in favor of Elaine's heirs must be set aside as contrary to the very purpose of the termination statute. . . ." *Id.* at 402 n. 23.

Penguin, and the estate and heirs of Elaine Steinbeck, appeal from the portion of the district court's judgment addressing the validity of the 2004 Termination Notice as to those works covered by the 1938 Agreement.

## DISCUSSION

### I. Standard of Review

"We review *de novo* a district court's ruling on cross-motions for summary judgment, in each case construing the evidence in the light most favorable to the non-moving party." *White River Amusement Pub, Inc. v. Town of Hartford*, 481 F.3d 163, 167 (2d Cir. 2007).

### II. Whether the 1994 Agreement Terminated and Superseded the 1938 Agreement

The Copyright Act provides a termination right for the grant of a transfer or license of copyright made by parties other than the author only if the grant was made prior to January 1, 1978. 17 U.S.C. § 304(d). Our first inquiry, then, is whether the 1994 Agreement terminated and superseded the 1938 Agreement. We conclude that it did, leaving in effect no pre-1978 grants to which the termination rights provided by section 304(d) could be applied.



The language of the 1994 Agreement makes clear that the parties intended that the 1938 Agreement be terminated. Under New York law,<sup>4</sup> "parties to an agreement can mutually agree to terminate it by expressly assenting to its rescission while simultaneously entering into a new agreement dealing with the same subject matter." *Jones v. Trice*, 202 A.D.2d 394, 395, 608 N.Y.S.2d 688, 688 (2d Dep't 1994). Once terminated and superseded, the new contract provides all of the parties' obligations and remedies for breach. See *Northville Indus. Corp. v. Fort Neck Oil Terminals Corp.*, 100 A.D.2d 865, 867, 474 N.Y.S.2d 122, 125 (2d Dep't 1984) ("[W]here the parties have clearly expressed or manifested their intention that a subsequent agreement supersede or substitute for an old agreement, the subsequent agreement extinguishes the old one and the remedy for any breach thereof is to sue on the superseding agreement." (internal quotation marks omitted)). The 1994 Agreement states that "[t]his agreement, when signed by Author and Publisher, will cancel and supersede the previous agreements, as amended, for the Works # 1-# 19 [including those works governed by the 1938 Agreement] covered hereunder." We see no valid reason to disregard this language and to regard the 1938 Agreement as surviving the 1994 Agreement.

Contrary to the district court's observation that "[a]t no point did Penguin lose or gain any rights other than those originally granted to it under the 1938 Agreement," *Steinbeck*, 433 F. Supp. 2d at 401-

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<sup>4</sup> The parties do not dispute that New York state law governs both the 1938 and 1994 Agreements.

02, the 1994 Agreement obligated Penguin to pay larger guaranteed advance payments and royalties calculated from the "invoiced retail price of every copy sold by the Publisher," rather than "the amount which the Publishers charge for all copies sold." The 1994 Agreement also modifies the geographic limits of the publication rights as to the covered works and imposes a requirement on Penguin to keep a greater number of Steinbeck works in print.

The district court correctly observed that the 1938 Agreement, by its terms, "was to continue for as long as the publishers keep the works 'in print and for sale,'" *Steinbeck*, 433 F. Supp. 2d at 402 n. 22, but this has little relevance to our analysis. A contract that remains in force may still be terminated and renegotiated in exchange for, among other things, one party's forbearance of her legal right, such as a statutory right to terminate a previous grant of a copyright transfer or license. See, e.g., *Trans-Orient Marine Corp. v. Star Trading & Marine, Inc.*, 925 F.2d 566, 573 (2d Cir. 1991) ("[F]orbearance to assert a valid claim, if bargained for, is sufficient consideration to support a contract.").

It is of similarly little relevance that the 1994 Agreement might have intended that earlier created termination rights survive it, for our central inquiry is not the parties' intent to preserve these rights—which are granted by statute, not contract—but rather their intent to terminate the 1938 Agreement. The availability of termination rights under the Copyright Act is not dependent on the intent of the parties but on, among other things, the date that a grant of rights was executed and the relationship to the author of those seeking to exercise the termination right. So, even if we accept that the

1994 Agreement "explicitly carries forward possible future termination," *Steinbeck*, 433 F. Supp. 2d at 401, it does not matter inasmuch as the pre-1978 grant of rights no longer existed. To the extent that the 1994 Agreement might also have contemplated the potential preservation of termination rights, it does not abrogate the 1994 Agreement's clear expression of intent to terminate all prior grants of a transfer or license in the subject copyrights.

We also reject the suggestion that, notwithstanding the plain language of the 1994 Agreement, there was no effective termination of the 1938 Agreement because the 1994 Agreement provided no opportunity—no "moment of freedom"—for those holding the termination right to renegotiate the terms of the grant. Appellees draw support for this theory primarily from *Nimmer on Copyright* § 11.07 (6th ed. 1978), referring to 17 U.S.C. § 304(c)(6)(D). That statutory provision reads:

A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid *only if it is made after the effective date of the termination*. As an exception, however, an agreement for such a further grant may be made between the author or any of the persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

*Id.* (emphasis added). The appellees read the phrase "only if it is made after the effective date of the

termination" to require a period of time during which holders of a termination right "know they will be free of extant agreements and can negotiate for the terminated rights." Appellees' Br. at 80; *see also Nimmer on Copyright* § 11.07. But the next sentence in the statute provides an exception for the original grantee, who may execute a new grant any time after the notice of termination has been served—no "moment of freedom" is required.

In any event, nothing in section 304(c)(6)(D) prevents renegotiation of a prior grant where a notice of termination has not been served. Such a succeeding grant of rights would presumably take place with the parties' knowledge that the holder of a termination right *could* exercise that right if they failed to reach a new agreement. It is undisputed that no termination right was exercised prior to the 1994 Agreement, but Elaine Steinbeck did renegotiate and cancel the 1938 Agreement while wielding the threat of termination. Indeed, this kind of renegotiation appears to be exactly what was intended by Congress. *See* Section III, *supra*.

Because we conclude that the 1994 Agreement terminated and superseded the 1938 Agreement, it also eliminated the right to terminate the grants contained in the 1938 Agreement under sections 304(c) and (d).

III. Whether the 1994 Agreement is an  
"Agreement to the Contrary" under 17 U.S.C.  
§ 304(c)(5)

The Copyright Act provides that "[t]ermination of the grant [of transfer or license rights] may be effected notwithstanding any agreement to the contrary." 17 U.S.C. § 304(c)(5). The 1994 Agreement is not invalid as an "agreement to the

contrary”—and the Steinbeck Descendants’ termination right under section 304(d) is therefore no longer effective—even if the agreement had the effect of eliminating a termination right that Congress did not provide until 1998.

We do not read the phrase “agreement to the contrary” so broadly that it would include any agreement that has the effect of eliminating a termination right. To do so would negate the effect of other provisions of the Copyright Act that explicitly contemplate the loss of termination rights. For example, sections 304(c) and (d) require only the consent of a simple majority in interest for the exercise of a termination right. Once the termination right is extinguished, it is extinguished with respect to all parties holding a termination interest, whether or not they agreed to its exercise. See 17 U.S.C. § 304(d) (providing a new termination right but only “where the author or owner of the termination right has not previously exercised such termination right”). Similarly, if a termination right expires without being exercised, the original grant is no longer subject to termination, and the Copyright Act specifically provides that in such a case a grant would “continue[ ] in effect for the remainder of the extended renewal term.” 17 U.S.C. § 304(c)(6)(F). If the holders of a majority of an author’s termination interest were to agree that they would not exercise their termination rights, this would have the effect of eliminating a termination right as to the minority termination interests. Yet such an agreement could not be held ineffective as an “agreement to the contrary” inasmuch as section 304 itself contemplates elimination of termination rights in that manner.



Moreover, the 1994 Agreement did not divest the Steinbeck Descendants of any termination right under section 304(d) when the parties entered into that agreement. In 1994, only 17 U.S.C. § 304(c) provided a termination right—section 304(d) would not become effective for another four years. It is undisputed that the Steinbeck Descendants could not have exercised their termination rights in 1994 because they lacked more than one-half of the author's termination interest. As of 1994, then, the agreement entered into by Elaine Steinbeck did not deprive the Steinbeck Descendants of any rights they could have realized at that time. None of the parties could have contemplated that Congress would create a second termination right four years later. Had Elaine Steinbeck not entered into the 1994 Agreement, the section 304(c) termination right would have expired,<sup>5</sup> and Penguin would have been bound only by the 1938 Agreement for the duration of the copyright terms absent (as ultimately happened) Congressional action. We cannot see how the 1994 Agreement could be an "agreement to the contrary" solely because it had the effect of eliminating termination rights that did not yet exist.

Appellees' reliance on *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002), is misplaced.

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<sup>5</sup> There is some question as to why Penguin agreed to terminate and renegotiate the 1938 Agreement, for without a majority termination interest, it appears that Elaine Steinbeck would have been unable to terminate the 1938 Agreement on her own. Although she possessed a power of attorney to exercise the Steinbeck Descendants' termination rights as a result of a 1983 settlement, it is unclear that her exercise of those rights would have been valid. But the resolution of these speculations is immaterial to the resolution of this appeal.



There, the parties entered into a settlement agreement that contractually recharacterized an already created work as a "work made for hire." Works for hire are exempt from section 304(c) and (d). We agreed with the author that the grantee could not use such after-the-fact relabeling of the nature of the work to eliminate a future exercise of the author's termination right under section 304(c), because the contract constituted an "agreement to the contrary" that left termination rights unaffected under section 304(c)(5). *Id.* at 290. We were concerned that if such an agreement was not held to be an ineffective "agreement to the contrary," authors could be coerced into recharacterizing works already created as works for hire so as to avoid subsequent application of a section 304 termination right. *Marvel* concludes only that backward-looking attempts to recharacterize existing grants of copyright so as to eliminate the right to terminate under section 304(c) are forbidden by section 304(c)(5). There was no such attempt at recharacterization here.

There is also no indication in the statutory text or the legislative history of the Copyright Act that elimination of a termination right through termination of a pre-1978 contractual grant was precluded or undesirable. The House Report for the 1976 amendments noted, for example, that "nothing in [the Copyright Act] is intended to change the existing state of the law of contracts concerning the circumstances in which an author may cancel or terminate a license, transfer, or assignment." H.R. Rep. No. 94-1476, at 128 (1976), U.S. Cong. Code & Admin. News at 5742-43. The report also noted more specifically that "parties to a transfer or license" would retain under the amendments the

continued right to “voluntarily agree[ ] at any time to terminate an existing grant and negotiat[e] a new one.” *Id.* at 127, U.S. Cong. Code & Admin. News at 57432–44. So, provided that a post-1978 agreement effectively terminates a pre-1978 grant, Congress did not manifest any intent for the earlier agreement to survive simply for purposes of exercising a termination right in the future. *See Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1046 (9th Cir. 2005) (post-1978 agreement superseding pre-1978 agreement was of “the type expressly contemplated and endorsed by Congress” because it enabled an author’s statutory heirs to renegotiate the terms of an original grant with full knowledge of the market value of the works at issue), *cert. denied*, 548 U.S. 904 (2006).<sup>6</sup>

It should be noted that under our view, authors or their statutory heirs holding termination rights are still left with an opportunity to threaten (or to make good on a threat) to exercise termination rights and extract more favorable terms from early grants

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<sup>6</sup> We note that the passages quoted above concern the termination provision that applies to post-1978 grants, rather than the termination provisions here at issue. The Supreme Court has described the two provisions, however, as “comparable,” *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 173 n. 39 (1985), and indeed they both contain the “agreement to the contrary” clause. “The normal rule of statutory construction [is] that identical words used in different parts of the same Act are intended to have the same meaning.” *Gustafson v. Alloyd Co., Inc.*, 513 U.S. 561, 562 (1995); *see also Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1046 n.9 (9th Cir. 2005) (“To the extent that the legislative record references section 304(c)(5)’s counterpart provision under section 203(a)(5), we find that history instructive given Congress’s use of identical language in both provisions.”).

of an author's copyright. But nothing in the statute suggests that an author or an author's statutory heirs are entitled to more than one opportunity, between them, to use termination rights to enhance their bargaining power or to exercise them. See 17 U.S.C. § 304(d) (permitting exercise of termination right only "where the author or owner of the termination right has not previously exercised such termination right"). In this case, Elaine Steinbeck had the opportunity in 1994 to renegotiate the terms of the 1938 Agreement to her benefit, for at least some of the works covered by the agreement were eligible, or about to be eligible, for termination. By taking advantage of this opportunity, she exhausted the single opportunity provided by statute to Steinbeck's statutory heirs to revisit the terms of her late husband's original grants of licenses to his copyrights. It is no violation of the Copyright Act to execute a renegotiated contract where the Act gives the original copyright owner's statutory heirs the opportunity and incentive to do so. See *Milne*, 430 F.3d at 1046; cf. *Classic Media, Inc. v. Mewborn*, 532 F.3d 978, 989 (9th Cir. 2008) (termination right preserved, notwithstanding a March 1978—i.e. post-1978—grant of rights, where termination right could not have been exercised until 1984 at the earliest, and where "[n]either party intended to revoke and replace (or even modify)" a 1976 grant of rights).

The 1994 Agreement was not an "agreement to the contrary" rendered ineffective by section 304(c)(5).

### CONCLUSION

For the foregoing reasons, the judgment of the district court is reversed and the case remanded for entry of judgment in favor of Penguin.

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**APPENDIX B**

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**United States District Court, S.D. New York.**

**Thomas STEINBECK, an individual; and Blake  
Smyle, an individual, Plaintiffs and  
Counterclaim Defendants,**

**Nancy Steinbeck, an individual, Intervenor-  
Plaintiff,**

**v.**

**MCINTOSH & OTIS, INC., a New York  
corporation; the Steinbeck Heritage  
Foundation, a non-profit New York  
corporation; Eugene H. Winick, an individual;  
Samuel Pinkus, an individual; Jean Anderson  
Boone, an individual; Francis Anderson  
Atkinson, an individual; Waverly Scott Kaffaga,  
an individual and Executor of the Estate of  
Elaine Anderson Steinbeck; David Scott  
Farber, an individual; Anderson Farber  
Runkle, an individual; Jebel Kaffaga, an  
individual; Bahar Kaffaga, an individual; and  
Steven Frushtick, an individual; and Does 1-10,  
Defendants and Counterclaim Plaintiffs.**

**Penguin Group (USA) Inc. Plaintiff,**

**v.**

**Thomas Steinbeck and Blake Smyle,  
Defendants.**

Nos. 04-CV-5497 (RO), 04-CV-6795 (RO).

June 8, 2006.

As Amended July 18, 2006.

*OPINION & ORDER*

OWEN, District Judge.

Prior to the copyright law amendments taking effect in 1978, there were but two periods of copyright protection—the original period of 28 years, and a 28-year renewal, for a possible total of 56 years. In 1978, the copyright term was increased by 19 years, to a total of 75 years, and in 1998, 20 more years was added to that, for today a total of 95 years.

Given the said length of copyright protection, early in which young creators often less than advantageously contract for long terms with publishers, etc., and it also being the way of the world that a number of such young composers, artists and authors, from time to time, such as John Steinbeck writing his first book in 1929, cannot predict the high stature they would attain,<sup>1</sup> and the popular prominence of their works in musical and literary consciousness—not to mention the eventual high financial rewards to them and their families their work can command, our copyright laws have come to recognize this, and accordingly, in the statute, provide opportunities for such a creator and/or his or her family to terminate—and recapture—rights previously granted others,

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<sup>1</sup> Steinbeck was awarded a Pulitzer Prize and the Nobel Prize for Literature.

allowing creators or their heirs appropriate reward for the artistic gifts to our culture.

There are two such "recapture" opportunities during a copyright's lifetime.<sup>2</sup> The first, Section 304(c) of the Copyright Act, grants creators of pre-1978 works or their statutory heirs,<sup>3</sup> an inchoate but inalienable<sup>4</sup> property right<sup>5</sup> to "terminate" earlier

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<sup>2</sup> A third possible mandatory event of return of the grant—if it can be so phrased—is if the creator dies while the copyright is in its first term. Under that circumstance, the right to future renewal does not follow his contractual or testamentary grant. Instead, the expectancy of the renewal rights automatically vests in statutorily enumerated categories of persons—who are not bound by the original disposition—according to the following hierarchy: "[1] the widow, widower, or children of the author, . . . [2] the author's executors, if such author, widow, widower, or children are not living, or [3] the author's next of kin, in the absence of a will of the author." 17 U.S.C. § 304(a)(1)(C). See also *Stewart v. Abend*, 495 U.S. 207, 219–20 (1990). Thus, the additional years of protection provided by Section 304(a) represent a completely "new family property right" in pre-1978 works. *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774, 779 (2d Cir. 1992).

<sup>3</sup> See 17 U.S.C. § 304(a)(1)(C), discussed *supra*, and 17 U.S.C. §§ 304(c)(1), (c)(2), discussed *infra*, for the statute's categorical hierarchy of entitlement. See also, *Larry Spier*, 953 F.2d at 778; *Abend*, 495 U.S. at 218.

<sup>4</sup> The inalienability of the Section 304(c) right has been recognized by the Supreme Court, the Second Circuit, and this Court on myriad occasions. See *Abend*, 495 U.S. at 230 ("The 1976 Copyright Act . . . provides an inalienable termination right."); *Larry Spier*, 953 F.2d at 779–80 (Section 304(c) "was drafted so as to leave no doubt about the family's power to recapture the copyright."); *Fred Ahlert Music Corp. v. Warner/Chappell Music, Inc.*, 155 F.3d 17, 24 (2d Cir. 1998) (inalienability is "consistent with the general thrust of § 304, which is designed to protect the interests of authors and their

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grants of copyrights made before January 1, 1978 and to do so beginning 56 years after the copyright was first secured (*i.e.*, upon expiration of both the original 28-year copyright term and the pre-1978 28-year renewal term). 17 U.S.C. § 304(c). Such termination right is optional—not mandatory or automatic—and can be exercised at any time during a five-year period beginning at the end of the said 56 year period, or on January 1, 1978 (the date of enactment of the statute extending the copyright protection term), whichever is later. 17 U.S.C. § 304(c)(3).<sup>6</sup> See *Music Sales Corp. v. Morris*, 73

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heirs and to maximize their ability to exploit the value of their [works] during the extended renewal term.”); *Morris*, 73 F. Supp. 2d at 372 (“unlike the renewal rights, the termination right is inalienable . . . Congress resorted to the extraordinary measure of creating an inalienable right in order to ensure that the author’s heirs would be able to terminate any contingent grants of renewal rights made during the author’s lifetime.”). Termination rights remain inalienable until they are exercised by service of a notice of termination. 17 U.S.C. § 304(c)(6)(B); see also, 17 U.S.C. § 304(c)(6)(D) (providing that “[a] further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination . . . [or] after the notice of termination has been served . . .”).

5 Because Section 304(a) established a completely new family property right in pre-1978 works, see *supra*, “[t]here are strong reasons for giving the author [and/or his statutory heirs] . . . an opportunity to share in” the benefits of continued exploitation of such works by permitted the author or his family to terminate third party grants. See House Report on the Copyright Act of 1976, House Report No. 94-1476, p. 140 (1976).

6 A notice of such termination must be served no more than ten or less than two years before termination is to be exercised. 17 U.S.C. § 304(c)(4)(A). Thus, under Section 304(c), a notice of

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F. Supp. 2d 364, 372 (S.D.N.Y. 1999). Should the creator die, the statute transfers the termination to specific successor(s),<sup>7</sup> who, upon recapture thereupon possesses and may re-grant those rights. 17 U.S.C. § 304(c)(1), (c)(6). Termination rights vest on the date a notice of termination is served. 17 U.S.C. § 304(c)(6)(B), (C).<sup>8</sup> Once a prior grant of copyright is terminated, statutory heirs are free to grant these rights to whomever they desire, as such new grants fulfill the purpose of the termination right, which is to provide successors in interest with an opportunity

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termination may be served between 46 years and 59 years after the copyright was originally secured—a 13-year “window of opportunity”—with the rights that are to revert vesting in the owners of the termination interest on the date the notice is served. 17 U.S.C. § 304(c)(6)(B).

<sup>7</sup> The deceased author's termination interest is owned, and may be exercised, by the following: (i) the author's widow or widower owns the author's *entire* termination interest; (ii) if the author leaves both a widow or widower and children or grandchildren, the widow or widower owns *one half* of the author's interest, and the remaining half is divided per stirpes among the author's progeny; (iii) in the absence of a surviving widow or widower, the author's surviving children, and surviving children of any dead child of the author, own the author's *entire* termination interest, which is divided among them and exercised on a per stirpes basis; or (iv) in the event that none of the aforementioned heirs are living, the author's executor, administrator, personal representative, or trustee shall own the author's *entire* termination interest. 17 U.S.C. § 304(c)(2).

<sup>8</sup> See *Range Road Music, Inc. v. Music Sales Corp.*, 76 F. Supp. 2d 375, 377 (S.D.N.Y. 1999); see also 3-11 NIMMER ON COPYRIGHT § 11.03[A][3] (stating that the class of recipients of the terminated rights is determined as of the date the termination notice is served).

to obtain the fair value of the work by negotiating new terms for previously granted rights once the work's true value has appeared. 3-11 Melville B. Nimmer & David Nimmer, NIMMER ON COPYRIGHT § 11.01[A].

The second such termination right was created in 1998 as part of the Sonny Bono Copyright Term Extension Act (CTEA), which extended the copyright term by an additional twenty years, see 17 U.S.C. §§ 304(a), (b), and also gives creators or their survivors who did not exercise their termination rights the first time (i.e., 56 years after the copyright was first secured, see *supra*) a second opportunity to terminate during the five-year period beginning 75 years after the copyright came into existence. 17 U.S.C. § 304(d).<sup>9</sup>

To protect this right and prevent creators or statutory heirs from contracting away, for whatever reason, this absolute right to "recapture" for the years of extended protection any pre-1978 copyright grant, the statute declares void any contract the effect of which is in contravention of or which negates either of these termination rights. 17 U.S.C. § 304(c)(5).<sup>10</sup> See, e.g., *Morris*, 73 F. Supp. 2d at 372;

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<sup>9</sup> Section 304(d) applies to copyrights in their renewal term on the effective date of the CTEA—October 27, 1998—for which the termination right under Section 304(c) had expired by that date, and as to which the author or the owner of the Section 304(c) termination right has not previously exercised the right. A notice of termination under Section 304(d) must be served no more than ten and not less than two years before termination is to be exercised—i.e., no earlier than 65 years, and no later than 78 years, after copyright was originally secured.

<sup>10</sup> This statutory prohibition is intended to be broadly applied to invalidate such unlawful contracts and liberally protect

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*Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774, 778 (2d Cir. 1992).

Pursuant to these provisions in the Copyright Act, in May and June 2004, the then-statutory heirs of John Steinbeck—son Thom and granddaughter Blake—served five “Notices of Termination” on various third parties which purported to terminate pre-1978 grants of copyrights John Steinbeck made to those third parties in accordance with 17 U.S.C. § 304(c) and (d). The parties have filed cross motions for summary judgment as to the validity of these notices, and the above-captioned actions are joined for this purpose only.<sup>11</sup>

Turning to the facts here, when John Steinbeck died in 1968, his third wife, widow Elaine, inherited his copyrights in his early works<sup>12</sup> under the

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termination rights. See *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002); *Larry Spier, supra*; *Morris, supra*. Indeed, copyright termination abrogates freedom of contract in two ways: it allows for the invalidation of the original contractual transfer, and it abrogates subsequent attempts to contract around the termination right it creates. 17 U.S.C. § 304(c), (c)(5)

<sup>11</sup> Summary judgment is appropriate when there are no genuine issues of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). To satisfy its burden under Rule 56(c), the movant must show that the record raises no genuine issue of material fact for trial. *Brink v. Union Carbide Corp.*, 41 F. Supp. 2d 406, 413–14 (S.D.N.Y. 1999); see also *Goenaga v. March of Dimes Birth Defects Foundation*, 51 F.3d 14, 18 (2d Cir. 1995); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247–48, 252 (1986).

<sup>12</sup> Steinbeck’s “early works” are those whose renewal term of copyright (i.e., after the first 28 years of copyright) became due

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residuary clause in Steinbeck's will. However, with respect to these works, as well as those that entered their renewal period after Steinbeck's death,<sup>13</sup> his two sons from his second marriage—Thomas Steinbeck and John Steinbeck IV—though inheriting no interest in the copyrights under their father's will, nevertheless became possessed of a 50% share of the copyright termination interest in each work pursuant to Section 304(c)(2)(B), quoted *supra*, which states that a deceased author's entire termination interest is to be divided, 50% to his widow and 50% to his children [and grandchildren]. 17 U.S.C. § 304(c)(2)(B). Since, however, to exercise a termination right requires a simple majority of the possessors, this meant here that, Elaine and the children being in disagreement, no termination right

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in the course of his lifetime, and for which he filed renewal registrations. Specifically, Steinbeck renewed: *Cup of Gold* (©1929), *The Pastures of Heaven* (©1932), *To a God Unknown* (©1933), *The Red Pony* (©1937), *Tortilla Flat* (©1935), *In Dubious Battle* (©1936), *Of Mice and Men* (©1937), *Of Mice and Men* (play) (©1937), *Murder at Full Moon* (©1938), *The Long Valley* (©1938), *The Grapes of Wrath* (©1939), *Forgotten Village* (©1941), and *The Sea of Cortez* (©1941) (collectively, the "Early Works").

13 These "late works" are: *The Moon is Down* (©1942), *The Moon is Down* (play) (©1942), *Bombs Away* (©1942), *Cannery Row* (©1945), *The Pearl* (©1945), *The Wayward Bus* (©1947), *A Russian Journal* (©1948), *Burning Bright* (©1950), *Log From the Sea of Cortez* (©1951), *East of Eden* (©1952), *Sweet Thursday* (©1954), *The Short Reign of Pippin IV* (©1957), *Once There Was a War* (©1958), *The Winter of Our Discontent* (©1961), and *Travels With Charley* (©1962).



could be exercised, as neither side had 51%.<sup>14</sup> John IV died in 1991, leaving only one child, Blake Smyle, who now asserts her statutory right in his stead, as Steinbeck's granddaughter.<sup>15</sup> Elaine died in April 2003, leaving all copyrights to her heirs from a previous marriage—all unrelated to Steinbeck.

But upon Elaine's death in April 2003, Thom and Blake, being in agreement, for the first time together possessed the majority (indeed, the totality) of termination interests needed to exercise their termination right. See 17 U.S.C. § 304(c)(1). In May and June 2004, they served five "Notices of Termination" on various third parties which

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<sup>14</sup> The statute provide that if the author himself has made the assignment, and said author is now dead, termination of the assignment may be effected by the person or persons who own and are entitled to exercise a total of more than one-half of the author's termination interest. 17 U.S.C. § 304(c)(1).

<sup>15</sup> Defendants dispute the assertion that Blake is the granddaughter of John Steinbeck, claiming that there has been no conclusive evidence produced to this effect, and there is no mention of her in John IV's will or in his pleadings in the 1981 action. It is undisputed, however, that John IV's heirs continued to receive his royalties, although the identity of those heirs and the distribution arrangement among them are the subject of a confidential settlement agreement or agreements entered into by Blake, Thom, and John IV's former wife Nancy Steinbeck, the intervenor-plaintiff in this action and the purported residuary beneficiary of John IV's Estate under his will. Nancy apparently seeks to ride on the "coat tails" of Thom and Blake's action against the defendants, claiming that neither Thom nor Blake are likely to protect her interests. As this motion is limited to the validity of the termination notices issued by Thom and Blake, the allegations brought by Nancy are not addressed at this time, and the parties have reserved their rights to do so.



purported to terminate pre-1978 grants of copyrights John Steinbeck made to those third parties in accordance with 17 U.S.C. § 304(c) and (d). Specifically, the Notices terminated: (1) a 1938 grant of book publishing rights made to the predecessor of Penguin Group (USA) Inc. (hereinafter the "Penguin Notice");<sup>16</sup> (2) grants of motion picture rights in Steinbeck's *The Red Pony* made to Paramount Pictures, Inc. in 1946, 1947 and 1949; (3) grants of motion picture rights to Steinbeck's *The Long Valley* given to Paramount Pictures, Inc. in 1946, 1947 and 1949; (4) a 1956 grant of theatrical rights to Steinbeck's *Cannery Row* given to Rogers & Hammerstein and MGM; and (5) a 1949 grant of motion picture rights in Steinbeck's *The Wayward Bus* made to Twentieth Century Fox Film Corporation. Each notice is now addressed in turn.

### ***The Penguin Termination Notice***

In a 1938 agreement, author John Steinbeck granted to Penguin's predecessor, The Viking Press, Inc., sole, exclusive, and open-ended publication rights in the collection of stories *The Long Valley*, including all thirteen short stories contained therein. By its terms, the 1938 Agreement "supersede[d] all previous agreements made between The Viking Press, Inc. and John Steinbeck," and also applied to "all the previously published books of John Steinbeck," namely: *Cup of Gold*; *The Pastures of Heaven*; *To A God Unknown*; *Tortilla Flat*; *In*

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<sup>16</sup> Widow Elaine entered into a new agreement with Penguin in 1994, Penguin's right of publication remaining the same as in the 1938 grant, but at a higher consideration, and statutory termination rights explicitly continued, as per the agreement. See discussion *infra*.

*Dubious Battle; Of Mice and Men; Of Mice and Men* (Play); *The Red Pony*, and the three stories included therein.<sup>17</sup> Four additional works by Steinbeck were added to the 1938 Agreement by way of its option clause, including *The Grapes of Wrath*, the latest of the works at issue here, in 1939. This agreement provided for ongoing royalties based on net sales, and was periodically amended. Author Steinbeck renewed the copyrights in each of the ten works in question during his lifetime, and when he died in 1968, he bequeathed the copyrights in these early works to his widow Elaine. In 1994, Elaine entered into a "new agreement for continued publication" with Penguin as "Publisher" for these early works, which granted Penguin no more nor less rights than Penguin already had and was exercising under the original 1938 Agreement, although at increased cost to Penguin.<sup>18</sup>

On or about June 13, 2004, Thom and Blake served on Penguin a Notice of Termination, purporting to terminate Steinbeck's grants under the 1938 Agreement pursuant to Section 304(d). Penguin and the defendants in the *Steinbeck* action contend that said notice is invalid as a matter of law, because widow Elaine's 1994 Agreement, by its express terms, "cancel[s] and supersede[s] the

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<sup>17</sup> The Viking Press, Inc. Agreement, ¶ 13A (Sept. 12, 1938).

<sup>18</sup> Elaine simultaneously entered into a similar agreement with Penguin for the late works on behalf of herself and Thom (who subsequently ratified the agreement on December 22, 1994), but this second 1994 Agreement is not relevant here, although it raises questions of motive.

previous agreements, as amended, for the Works,"<sup>19</sup> which effectively transforms Steinbeck's pre-1978 grant into a "new" grant of copyright, executed on or after January 1, 1978, and as such, is not subject to termination under Section 304. 17 U.S.C. § 304(c), (d).

I conclude that this argument fails. The 1938 Agreement was author Steinbeck's exclusive grant of publication rights to Penguin's predecessor of certain of his early works, so they unquestionably were within the terms of the subsequently-enacted termination statute.<sup>20</sup> Elaine's 1994 identical grant to Penguin explicitly carries forward possible future termination under the statute, reading: "If Elaine Steinbeck exercises her right to terminate grants made to Publisher in this agreement (in accordance with Section 304(c) of Title 17 of the U.S. Code) . . ." See Penguin USA, Contract For Steinbeck titles, p. 13, ¶ 9A, *Termination Under U.S. Law* (Oct. 24, 1994).<sup>21</sup> The contention that the 1994 Agreement extinguished the very termination right that it

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<sup>19</sup> Penguin USA, Contract For Steinbeck titles, p. 10, ¶ 19, *Termination of Previous Agreements* (Oct. 24, 1994).

<sup>20</sup> Indeed, this grant of publication rights is terminable because it is a "copyright subsisting in either its first or renewal term on January 1, 1978, . . . [and is] the exclusive . . . grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by [the living author of such work], otherwise than by will [here, by contract] . . ." 17 U.S.C. § 304(c) (emphasis added).

<sup>21</sup> Section 304(d) was enacted four years after the contract was entered into, but remains no less applicable, as it simply expanded the opportunity for authors or their statutory heirs to execute their termination rights.

expressly acknowledges both exists and flows from the 1930s copyrights necessarily fails. At no point did Penguin lose or gain any rights other than those originally granted to it under the 1938 Agreement.<sup>22</sup> Furthermore, to the extent that the 1994 Agreement would strip Thom and Blake—at the time, owners of one-half of the future termination interest, but on Elaine's death, full owners—of their inalienable termination rights in the pre-1978 grants, it is void as an "agreement to the contrary" pursuant to 17 U.S.C. § 304(c)(5).<sup>23</sup>

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<sup>22</sup> By its terms, absent a default, the agreement was to continue for as long as the publishers keep the works "in print and for sale." The Viking Press, Inc. Agreement, ¶ 12A, *Termination of this agreement* (Sept. 12, 1938). Elaine did not inherit any interest in the book publishing rights Steinbeck granted to Penguin in 1938, because Steinbeck did not own those rights when he died. Rather, Penguin was the owner of said rights pursuant to the 1938 Agreement, and Steinbeck had only a contractual right to receive monies pursuant to that agreement. Elaine inherited only that contractual revenue scheme—she had no "copyright" interest to convey to Penguin by the 1994 Agreement, and Penguin had no need to enter into an agreement with Elaine to maintain its book publishing right (except, of course, to possibly avoid the exercise of federal termination rights—or a lawsuit).

<sup>23</sup> The 1994 Agreement does not purport to transfer Elaine's or anyone else's termination rights under Section 304, nor does it require Elaine or anyone else to refrain from exercising such rights, as any such contractual language that purports to affect inalienable termination interest would run afoul of black-letter copyright law. Rather, the copyright interests purportedly granted by the document were granted *subject to* those very same rights. The whole of ¶ 9A *expressly preserves* Section 304 termination rights (at least with respect to Elaine, who, at the time, owned one-half), acknowledges that such rights (which had not yet been exercised) could be exercised in the future, and

[Footnote continued on next page]

Accordingly, I consider the Penguin termination notice both valid and effective.

***The Wayward Bus Termination Notice***

In 2004, Thom and Blake, now having between them 100% of the termination rights, sought to terminate author Steinbeck's 1949 grants of *The Wayward Bus* for "all motion picture rights, limited publication rights, radio rights, film, television, and commercial tie-up rights" that had been transferred to Twentieth Century Fox or its predecessors by John Steinbeck pursuant to agreements in 1949. Defendants argue that this termination notice is of no effect because author Steinbeck died before the copyright in this work entered its renewal term, and thus, the renewal copyright automatically went to his next of kin pursuant to Section 304(a).<sup>24</sup>

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accordingly, contains detailed provisions about what would happen if (i) such termination rights were indeed exercised; and (ii) the copyright interests in Steinbeck Works were not subsequently re-granted to Penguin. Neither Thom nor Blake was a party to the 1994 Agreement, and they have never contractually transferred their termination rights to Penguin nor agreed to forego their termination rights. Any interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest—Thom and Blake—in favor of Elaine's heirs must be set aside as contrary to the very purpose of the termination statute, which protects children and grandchildren, and not just widows. See, e.g., 3-11 NIMMER ON COPYRIGHT § 11.07, n. 29.

<sup>24</sup> 17 U.S.C.A. § 304(a)(1)(C), in relevant part, states that "the widow . . . or children of the author, if the author is not living . . . shall be entitled to a renewal and extension of the copyright in such work for a further term . . ."

As observed earlier, in *Stewart v. Abend*, 495 U.S. 207, 219–20 (1990), the United States Supreme Court recognized that a renewal copyright represents a new estate free and clear of all rights, interests or licenses granted under the original copyright. *Id.* at 219. Accordingly, the Court stated that “[i]f the author dies before [the renewal right vests], the next of kin obtain the renewal copyright free of any claim founded upon an assignment made by the author in his lifetime. These results follow not because the author’s assignment is invalid but because he had only an expectancy to assign [in the renewal copyright]; and his death, prior to the renewal period, terminates his interest in the renewal [term] . . .”—which then vests in the statutorily named classes. *Id.* (internal citations omitted).

The renewal copyright for *The Wayward Bus* came into effect in 1975. Because John Steinbeck died in 1968—seven years *before* the renewal period would commence for this work—the renewal copyright never vested in the grantee (Twentieth Century Fox) and, therefore, the author’s then-living statutory heir, Elaine, inherited those rights free of the previous assignment by the author pursuant to Section 304(a)(1)(C). See *Abend*, 495 U.S. at 219; *Morris*, 73 F. Supp. 2d at 371–72. Consequently, Twentieth Century Fox had in 2004 no interest in the renewal copyright today, and accordingly, there was nothing there for Thom and Blake to terminate in 2004 and the notice was a nullity.



### ***The Cannery Row Termination Notice***

On or about May 17, 2004,<sup>25</sup> Thom and Blake served a notice of termination of the grant for Steinbeck's *Cannery Row* pursuant to Section 304(c) for "all motion picture, radio, and television rights" to Rogers & Hammerstein and MGM in or before 1956 by author Steinbeck. Defendants assert a number of reasons this notice is invalid. I need address only the fact that this identical to *The Wayward Bus* termination, immediately above.<sup>26</sup>

Author Steinbeck registered *Cannery Row* for copyright protection in 1945, and so, the original term of copyright ended in 1973. As John Steinbeck died five years prior to the copyright entering its renewal term, his statutory heir, Elaine, automatically received the renewal copyright. See *Wayward Bus* Termination Notice discussion, *supra*. Thus, neither Rogers & Hammerstein nor MGM possessed any interest in the renewal copyright for Thom and Blake to terminate, so this notice was a nullity.

### ***The Long Valley and The Red Pony Termination Notices***

In 2004, Thom and Blake, served a notice of termination on Paramount Pictures Corporation,

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<sup>25</sup> An amended notice was issued on or about June 13, 2004.

<sup>26</sup> Rogers & Hammerstein had transferred the rights it received in or before 1956 to Cannery Row Productions, Inc. by short form option agreement after 1978, and Thom and Blake also served the successor to that transfer with this termination notice. The fact that a copyright grantee made a subsequent post-1978 transfer of rights it acquired pre-1978 does not insulate such from termination. See *Morris*, *supra*.

pertaining to a grant of motion picture, radio, and limited publication rights, in Steinbeck's *The Long Valley* and the collection of stories included therein that Paramount's predecessor had received from author Steinbeck pursuant to three agreements in 1946, 1947, and 1949. Simultaneously, Thom and Blake issued a separate but virtually identical termination notice for *The Red Pony* and all stories contained therein, granted to Paramount pursuant to the same contracts.<sup>27</sup> The defendants contest the validity of these two nearly identical notices of termination on the grounds that, under a 1983 Settlement Agreement between Elaine, Thom and Blake's father John IV, Thom and Blake have no existing grants which they can address to terminate.<sup>28</sup> Defendants early asserted that

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<sup>27</sup> John Steinbeck had renewed the copyrights in each of these works during his lifetime, *see supra* n. 12, and the grants he made to Paramount appear to meet the termination requirements of the statute.

<sup>28</sup> After a scuffle in court, *Steinbeck v. Steinbeck*, No. 81 Civ. 6105 (S.D.N.Y. Dec. 8, 1982), Thom, John IV and Elaine entered into a settlement agreement in 1983, pursuant to which Thom, John IV, and Elaine would share equally in the royalties from author Steinbeck's late works—one-third, one-third, one-third—in return for which Elaine was granted exclusive control over the copyrighted works, including the power and authority to execute contracts in their name. Disturbingly, the settlement agreement also purported to grant Elaine the exclusive right to exercise Thom and John IV's termination rights over the Steinbeck works. Paragraph 5 of the settlement agreement, in particular, is statutorily prohibited, stating: "Elaine Steinbeck and/or her agent shall have the complete power and authority to negotiate, authorize and take action with respect to the exploitation and/or termination of rights in the works of John Steinbeck which John Steinbeck IV and

[Footnote continued on next page]

discovery was needed on the agreements which Thom and Blake purport to terminate, and until that time, they wish to reserve their right to contest the validity of these notices, but the troublesome question is why discovery was not timely sought here.

So the record remains that, other than this bland conclusory assertion (without sufficient justification)<sup>29</sup> that discovery is needed, defendants are silent on their principal argument that the said 1983 Settlement Agreement invalidated all of the notices of termination which are the subject of the present motion,<sup>30</sup> which I therefore deem to be an

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[Footnote continued from previous page]

Thom Steinbeck have or will have renewal or termination rights."

<sup>29</sup> At the hearing before me on May 11, 2005, counsel for the defendants stated, for the first time, that the two notices at issue "relate to motion picture rights with respect to a licensee who the, during John Steinbeck's lifetime in a foreclosure action, had those rights transferred . . . So it is not at all clear to us, first of all, whether there is anything to terminate, because after a bankruptcy during the course of John Steinbeck's lifetime it's not at all clear whether anything still exists. It would appear that it may be the motion picture rights at issue are actually derivative works, which would essentially take them out of and have different meanings with respect to the termination provisions." Hr'g Tr. 17 (May 11, 2005). The record before me does not support this contention.

<sup>30</sup> If this theory is meant to suggest that the terms of the 1983 Settlement Agreement void all of Thom's and Blake's termination rights—that Elaine successfully contracted away the rights of these statutory heirs when she settled litigation with them—it is barred by the plain language of 17 U.S.C. § 304(c)(5) and (d)(1). Any portion of the settlement agreement which limits or extinguishes Thom's and Blake's statutory

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abandonment of defendants' counterclaims regarding these two notices. *See Jessamy v. City of New Rochelle*, 292 F. Supp. 2d 498, 515 n. 21 (S.D.N.Y. 2003). Summary judgment on the validity of these notices as a matter of law is granted.

So Ordered.

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termination rights is invalidated as a statutorily-prohibited "agreement to the contrary." *See, e.g., Marvel*, 310 F.3d at 290-91; *Morris*, 73 F. Supp. 2d at 373-77.

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**APPENDIX C**

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**UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT  
Thurgood Marshall U.S. Court House  
40 Foley Square, New York, N.Y. 10007**

**Dennis Jacobs  
CHIEF JUDGE**

**Catherine O'Hagan Wolfe  
CLERK OF COURT**

At the stated term of the United States Court of Appeals for the Second Circuit, held at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, in the City of New York, on the 16th day of October two thousand and eight,

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**ORDER**

Nos. 06-3226-cv (Lead)  
06-3696-cv (Con)

Penguin Group (USA) Inc.,  
Plaintiff-Appellant,

Waverly Scott Kaffaga, individually and as Executor  
of the Estate Elaine Anderson Steinbeck, David Scott  
Farber, Anderson Farber Runkle, Jebel Kaffaga and  
Jean Anderson Boone,  
Defendants-Counterclaim-Plaintiffs-Appellants,

v.

Thomas Steinbeck and Blake Smyle,  
Plaintiffs-Counterclaim-Defendants-Appellees

Nancy Steinbeck,  
Intervenor-Plaintiff.

McIntosh & Otis, Inc., The Steinbeck Heritage Foundation, Eugene H. Winick, Samuel Pinkus and Steven Frushtick

## Defendants-Counterclaim-Plaintiffs.

Francis Anderson Atkinson and Does 1-10,  
Defendants.

Plaintiffs—Counterclaim—Defendants—Appellees  
Thomas Steinbeck and Blake Smyle having filed a petition for rehearing, or, in the alternative, for rehearing *en banc*, and the panel that determined the appeal having considered the request for panel rehearing, and the active members of the Court having considered the request for rehearing *en banc*,

IT IS HEREBY ORDERED that the petition is denied.

**For the Court:**  
**Catherine O'Hagan Wolfe,**  
**Clerk**

By: /s/  
Frank Perez, Deputy Clerk



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**APPENDIX D**

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The Copyright Act, 17 U.S.C. § 101 *et seq.*, provides in relevant part:

**§ 203. Termination of transfers and licenses granted by the author**

**(a) Conditions for Termination.**—In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by one author, termination of the grant may be effected by that author or, if the author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest. In the case of a grant executed by two or more authors of a joint work, termination of the grant may be effected by a majority of the authors who executed it; if any of such authors is dead, the termination interest of any such author may be exercised as a unit by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant

covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.

(4) The termination shall be effected by serving an advance notice in writing, signed by the number and proportion of owners of termination interests required under clauses (1) and (2) of this subsection, or by their duly authorized agents, upon the grantee or the grantee's successor in title.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

**(b) Effect of Termination.**—Upon the effective date of termination, all rights under this title that were covered by the terminated grants revert to the

author, authors, and other persons owning termination interests under clauses (1) and (2) of subsection (a), including those owners who did not join in signing the notice of termination under clause (4) of subsection (a), but with the following limitations:

(1) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

(2) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of subsection (a). The rights vest in the author, authors, and other persons named in, and in the proportionate shares provided by, clauses (1) and (2) of subsection (a).

(3) Subject to the provisions of clause (4) of this subsection, a further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under clause (2) of this subsection, as are required to terminate the grant under clauses (1) and (2) of subsection (a). Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under clause (2) of this subsection, including those who did not join in signing it. If any person dies after rights under a

terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this clause.

(4) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the persons provided by clause (3) of this subsection and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of subsection (a).

(5) Termination of a grant under this section affects only those rights covered by the grants that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(6) Unless and until termination is effected under this section, the grant, if it does not provide otherwise, continues in effect for the term of copyright provided by this title.

**§ 304. Duration of copyright: Subsisting copyrights**

**(a) Copyrights in Their First Term on January 1, 1978.—**(1)(A) Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for 28 years from the date it was originally secured.

**(B) In the case of—**

**(i)** any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or

**(ii)** any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire,

the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of 67 years.

**(C) In the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work—**

**(i)** the author of such work, if the author is still living,

**(ii)** the widow, widower, or children of the author, if the author is not living,

**(iii)** the author's executors, if such author, widow, widower, or children are not living, or

**(iv)** the author's next of kin, in the absence of a will of the author,



shall be entitled to a renewal and extension of the copyright in such work for a further term of 67 years.

(2)(A) At the expiration of the original term of copyright in a work specified in paragraph (1)(B) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which—

(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in the proprietor of the copyright who is entitled to claim the renewal of copyright at the time the application is made; or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in the person or entity that was the proprietor of the copyright as of the last day of the original term of copyright.

(B) At the expiration of the original term of copyright in a work specified in paragraph (1)(C) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which—

(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in any person who is entitled under paragraph (1)(C) to the renewal and extension of

the copyright at the time the application is made;  
or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in any person entitled under paragraph (1)(C), as of the last day of the original term of copyright, to the renewal and extension of the copyright.

(3)(A) An application to register a claim to the renewed and extended term of copyright in a work may be made to the Copyright Office—

(i) within 1 year before the expiration of the original term of copyright by any person entitled under paragraph (1)(B) or (C) to such further term of 67 years; and

(ii) at any time during the renewed and extended term by any person in whom such further term vested, under paragraph (2)(A) or (B), or by any successor or assign of such person, if the application is made in the name of such person.

(B) Such an application is not a condition of the renewal and extension of the copyright in a work for a further term of 67 years.

(4)(A) If an application to register a claim to the renewed and extended term of copyright in a work is not made within 1 year before the expiration of the original term of copyright in a work, or if the claim pursuant to such application is not registered, then a derivative work prepared under authority of a grant of a transfer or license of the copyright that is made before the expiration of the original term of copyright may continue to be used under the terms of the grant

during the renewed and extended term of copyright without infringing the copyright, except that such use does not extend to the preparation during such renewed and extended term of other derivative works based upon the copyrighted work covered by such grant.

(B) If an application to register a claim to the renewed and extended term of copyright in a work is made within 1 year before its expiration, and the claim is registered, the certificate of such registration shall constitute prima facie evidence as to the validity of the copyright during its renewed and extended term and of the facts stated in the certificate. The evidentiary weight to be accorded the certificates of a registration of a renewed and extended term of copyright made after the end of that 1-year period shall be within the discretion of the court.

**(b) Copyrights in their renewal term at the time of the effective date of the Sonny Bono Copyright Term Extension Act.**—Any copyright still in its renewal term at the time that the Sonny Bono Copyright Term Extension Act becomes effective shall have a copyright term of 95 years from the date copyright was originally secured.

**(c) Termination of Transfers and Licenses Covering Extended Renewal Term.**—In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by subsection (a)(1)(C) of this section,

otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by a person or persons other than the author, termination of the grant may be effected by the surviving person or persons who executed it. In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected, to the extent of a particular author's share in the ownership of the renewal copyright, by the author who executed it or, if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a

per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later.

(4) The termination shall be effected by serving an advance notice in writing upon the grantee or the grantee's successor in title. In the case of a grant executed by a person or persons other than the author, the notice shall be signed by all of those entitled to terminate the grant under clause (1) of this subsection, or by their duly authorized agents. In the case of a grant executed by one or more of the authors of the work, the notice as to any one author's share shall be signed by that author or his or her duly authorized agent or, if that author is dead, by the number and proportion of the owners of his or her termination interest required under clauses (1) and (2) of this subsection, or by their duly authorized agents.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by

clause (3) of this subsection, or, in the case of a termination under subsection (d), within the five-year period specified by subsection (d)(2), and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

**(B)** The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

**(5)** Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.

**(6)** In the case of a grant executed by a person or persons other than the author, all rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to all of those entitled to terminate the grant under clause (1) of this subsection. In the case of a grant executed by one or more of the authors of the work, all of a particular author's rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to that author or, if that author is dead, to the persons owning his or her termination interest under clause (2) of this subsection, including those owners who did not join in signing the notice of termination under clause (4) of this subsection. In all cases the



reversion of rights is subject to the following limitations:

(A) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

(B) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of this subsection.

(C) Where the author's rights revert to two or more persons under clause (2) of this subsection, they shall vest in those persons in the proportionate shares provided by that clause. In such a case, and subject to the provisions of subclause (D) of this clause, a further grant, or agreement to make a further grant, of a particular author's share with respect to any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under this clause, as are required to terminate the grant under clause (2) of this subsection. Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under this subclause, including those

who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this subclause.

(D) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the author or any of the persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

(E) Termination of a grant under this subsection affects only those rights covered by the grant that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(F) Unless and until termination is effected under this subsection, the grant, if it does not provide otherwise, continues in effect for the remainder of the extended renewal term.

(d) Termination rights provided in subsection (c) which have expired on or before the effective date of the Sonny Bono Copyright

**Term Extension Act.**—In the case of any copyright other than a work made for hire, subsisting in its renewal term on the effective date of the Sonny Bono Copyright Term Extension Act for which the termination right provided in subsection (c) has expired by such date, where the author or owner of the termination right has not previously exercised such termination right, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated in subsection (a)(1)(C) of this section, other than by will, is subject to termination under the following conditions:

(1) The conditions specified in subsections (c)(1), (2), (4), (5), and (6) of this section apply to terminations of the last 20 years of copyright term as provided by the amendments made by the Sonny Bono Copyright Term Extension Act.

(2) Termination of the grant may be effected at any time during a period of 5 years beginning at the end of 75 years from the date copyright was originally secured.

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Supreme Court, U.S.  
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IN THE  
*Supreme Court of the United States*

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THOMAS STEINBECK AND BLAKE SMYLE,  
*Petitioners,*

v.

PENGUIN GROUP (USA) INC. ET AL.,  
*Respondents.*

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On Petition for Writ of Certiorari  
to the United States Court of Appeals  
for the Second Circuit

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BRIEF IN OPPOSITON

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### QUESTION PRESENTED

Whether the Second Circuit correctly held, in agreement with the Ninth Circuit, that the power to terminate pre-1978 copyright assignments under 17 U.S.C. § 304 does not bar an author or his heirs from revoking a pre-1978 assignment and negotiating a new post-1978 assignment that provides the author and his heirs with greater rights but is not subject to termination under § 304.

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## STATEMENT

1. This is primarily a dispute between two branches of the Steinbeck family, not a dispute between a publisher on the one hand and an author's family on the other. Respondents are the estate of John Steinbeck's widow, Elaine Anderson Steinbeck, and members of John Steinbeck's step-family (the "Estate Respondents").<sup>1</sup> Petitioners are John Steinbeck's son from a previous marriage, Thom Steinbeck, and a previously unknown granddaughter, Blake Smyle.

John Steinbeck ("Steinbeck") married Elaine Anderson in 1950, and the couple lived together for eighteen years until Steinbeck's death in 1968. In his will, Steinbeck bequeathed all his intellectual property rights, including his copyrights, to his widow Elaine. Pet. App. 3a. Steinbeck's will also named Elaine executor of his estate and empowered her "with the fullest power and authority to deal in and with rights in literary properties, realizing the complexity and difficulty of exploiting the same advantageously and desiring that they shall be unhampered in any respect in turning to account the rights therein and making or amending contracts with respect thereto." 2d Cir. J.A. 571.

Steinbeck also had two sons from a previous marriage: Thom and John IV. In his will, Steinbeck left Thom and John IV a sum certain of \$50,000 each

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<sup>1</sup> Penguin Group (USA), Inc. ("Penguin") is also a respondent and is separately represented. The Estate Respondents include all respondents other than Penguin.

but excluded them from any other beneficial ownership in his estate or his copyrights or other intellectual property. *Id.* at 566-68.

John IV died in 1991. Pet. App. 29a. Although John IV had no acknowledged children at the time of his death, Blake Smyle subsequently filed a claim in probate court asserting that she was John IV's previously unknown and unacknowledged daughter (and, by extension, Steinbeck's granddaughter). 2d Cir. J.A. 242. Thom and Blake are the Petitioners in this action.

Elaine Steinbeck died in 2003. Pet. App. 4a. In her will, Elaine passed all of her copyright interests in both her own works and those authored by Steinbeck to the Estate Respondents: her daughter (Steinbeck's step-daughter) and executor Waverly Scott Kaffaga; her sister (Steinbeck's sister-in-law) Jean Anderson Boone; and her grandchildren (Steinbeck's step-grandchildren) David Scott Farber, Anderson Farber Runkle, Jebel Kaffaga, and Bahar Kaffaga.

2. The Copyright Act generally allows authors to transfer their copyrights by will to whomever the author chooses. *See* 17 U.S.C. § 201(d) ("ownership of a copyright . . . may be bequeathed by will"); *id.* § 304(c), (d) (statutory heirs' power to terminate pre-1978 copyright assignments does not apply to transfers "by will"). Notwithstanding this general policy of testamentary freedom, however, the Copyright Act vests certain narrowly circumscribed interests in so-called "statutory heirs," or persons

named in the statute, regardless of the author's testamentary intent. Steinbeck's statutory heirs included not only his widow Elaine, but also his two sons, Thom and John IV (or, if either son were deceased, the son's own offspring).

As statutory heirs, Thom and John IV each obtained a contingent interest in the "renewal terms" for Steinbeck's copyrights. The Copyright Act of 1947, Pub. L. No. 80-281, 61 Stat. 652, which was in effect at the time of Steinbeck's death, provided an initial copyright term of 28 years and a renewal term of an additional 28 years. If an author died before the initial copyright term expired, then the renewal term automatically vested in the author's "widow, widower, or children"—here, Elaine, Thom, and John IV. *Id.* § 24, 61 Stat. at 659.

At the time of his death in 1968, Steinbeck had already renewed the copyrights for thirteen of his earlier works (the "Early Works"). Pet. App. 27a n.12. Thus, full ownership over these thirteen Early Works passed directly to Elaine in accordance with Steinbeck's will. *Id.* at 27a-28a. But fifteen of Steinbeck's other works that were first published in or after 1942 were still in their initial copyright term when Steinbeck died and had not yet been renewed (the "Late Works"). *Id.* at 28a & n.13. The Copyright Act thus vested joint ownership over the renewal terms of those fifteen Late Works jointly in Elaine, Thom, and John IV. Elaine, Thom, and John IV agreed in 1974 that the royalty proceeds from the fifteen Late Works would be distributed with a 50%

share to Elaine and a 25% share each to Thom and John IV. 2d Cir. J.A. 461.<sup>2</sup>

The renewal terms for the Late Works represented a substantial windfall for Thom and John IV. Had Steinbeck lived a few years longer, he would have renewed all the copyright terms himself, and 100% of the ownership rights of all of his works would have passed to Elaine through his will. But because Steinbeck died before he could renew the copyright terms of the Late Works, Thom and John IV became co-owners of those works, including several of Steinbeck's best-known works such as *East of Eden* and *The Pearl*. Pet. App. 28a & n.13.

Unsatisfied with this substantial override of Steinbeck's will, Thom and John IV sued Elaine in 1981 to repudiate their 1974 agreement and seek an even greater percentage of the royalties from the Late Works they co-owned with her. 2d Cir. J.A. 461. The district court in that suit granted summary judgment to Elaine and upheld the validity of the 1974 distribution agreement. *Id.* Despite prevailing,

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<sup>2</sup> The 1947 Act did not specify how shares of renewal rights should be allocated among statutory heirs, but more recent appellate decisions confirmed that, when a renewal term is automatically vested jointly in an author's surviving spouse and children, the spouse receives a 50% share of ownership and the remaining portion is divided among the children on a per stirpes basis. See *Venegas-Hernandez v. Asociacion De Compositores, Editores De Musica Latinoamericana (ACEMLA)*, 424 F.3d 50, 54-55 (1st Cir. 2005); *Broad. Music, Inc. v. Roger Miller Music, Inc.*, 396 F.3d 762, 781-82 (6th Cir. 2005).



Elaine entered into a 1983 settlement agreement with Thom and John IV in which she agreed to reduce her royalty share to one-third; in exchange, Thom and John IV agreed to execute irrevocable powers of attorney in her favor vesting Elaine with "complete power and authority to negotiate, authorize and take action with respect to the exploitation and/or termination of rights in the works of John Steinbeck in which John Steinbeck IV and Thom Steinbeck have or will have renewal or termination rights." *Id.* at 466-68. To this day, Thom and John IV (or their heirs) continue to receive enhanced royalty payments pursuant to the 1983 settlement agreement. Pet. App. 29a n.15.

3. Thom and John IV received a second windfall when Congress created a new interest called "termination rights" as part of the Copyright Act of 1976. 17 U.S.C. § 304(c). Congress designed these termination rights to respond to a specific problem that had developed in the wake of this Court's decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), which held that authors and family members could sell their contingent interests in a copyright's renewal term in advance, before the renewal term even began. Publishers exploited *Fred Fisher* to demand that authors immediately assign both the first and second copyright terms to the publisher when a work was initially published. Pet. App. 6a. "Thus, assignees were able to demand the assignment of both terms at the time when the value of the copyrighted work was most uncertain." *Mills Music, Inc. v. Snyder*, 469

U.S. 153, 186 (1985) (White, J., dissenting). The termination provisions added in the Copyright Act of 1976 "were designed to correct this situation," *id.*, by allowing authors and family members to repudiate these "ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product," *id.* at 172-73 (majority opinion).

The termination rights in 17 U.S.C. § 304(c) enable authors and their families to cancel licenses and assignments made before 1978. When an author has died, the Copyright Act allocates the termination rights among the author's spouse, children, and grandchildren. *Id.* § 304(c)(2)(A). If the holders of a majority percentage of the termination rights agree to serve a termination notice, they can recapture rights granted in licenses and assignments made before 1978. *Id.* § 304(c)(1). Termination rights may be exercised "notwithstanding any agreement to the contrary." *Id.* § 304(c)(5). Those recaptured rights are then automatically distributed in proportion to the percentage of termination rights held by each statutory heir. *Id.* § 304(c)(6)(C).

There is no guarantee that statutory heirs will be able to exercise this termination right, because Congress placed four critical restrictions on its use: First, the termination right applies only to licenses and assignments executed before 1978. *Id.* § 304(c).<sup>3</sup>

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<sup>3</sup> A separate provision, 17 U.S.C. § 203, creates different termination rights for agreements entered into after 1978. Petitioners do not contend that § 203 termination rights apply here.

Second, the termination right does not apply to any transfers "made by will." *Id.* Third, the termination right may be exercised only in specific time periods: during a "window" of time between 56 and 61 years after the work was originally published, with service of the notice of termination between two and ten years before the termination will take effect. *Id.* § 304(c)(3), (4)(A). Fourth, the termination rights may be exercised only by agreement among holders of more than 50% of the rights. *Id.* § 304(c)(1).

As with renewal rights, if Steinbeck had lived long enough to exercise the termination rights himself, he would have been able to transfer all of the recaptured rights to Elaine. But because Steinbeck died before any of his termination rights were created, the Copyright Act allocated 50% of the termination rights to Elaine, 25% to Thom, and 25% to John IV. Pet. App. 28a. These new termination provisions applied to all of Steinbeck's works, including the thirteen Early Works owned entirely by Elaine. Even though Elaine owned 100% of the copyright over these Early Works, § 304(c) allocated 25% of the termination rights to Thom and John IV. As long as Elaine was alive, however, she held the other 50% of the termination rights and could prevent notices of termination from being served without her consent. Pet. App. 28a-29a.

4. In 1938, Steinbeck executed an agreement transferring publication rights in all of his works to The Viking Press. *Id.* at 2a. Viking subsequently assigned its rights under the 1938 Agreement to Respondent Penguin. *Id.* at 3a; *see supra* note 1.

In 1994, Elaine negotiated two new agreements with Penguin that cancelled and superseded all previous licenses and secured significantly greater returns in exchange for the right to publish the Steinbeck works. Pet. App. 3a. At the time Elaine negotiated the two 1994 Agreements, the windows had already closed for serving termination notices for Steinbeck's three oldest works, *Cup of Gold* (© 1929), *The Pastures of Heaven* (© 1932), and *To a God Unknown* (© 1933). But the windows for serving termination notices were then open for all of Steinbeck's works created between 1935 and 1948, including the remaining ten Early Works and seven of the Late Works. Pet. App. 27a n.12, 28a n.13.

Armed with the possibility that she would join Steinbeck's sons or their offspring in exercising their § 304(c) termination rights as leverage in bargaining with Penguin—and with knowledge of the immense popularity and commercial success of many of Steinbeck's works—Elaine negotiated two new publishing agreements that greatly enhanced the returns to family members for all of Steinbeck's works. *Id.* at 3a-4a & n.1. One agreement covered the thirteen Early Works owned exclusively by Elaine; the other agreement covered the fifteen Late Works jointly owned by Elaine, Thom, and John IV's heirs. 2d Cir. J.A. 482, 498.

By their terms, the 1994 Agreements cancelled the 1938 Agreement, Pet. App. 4a, and transferred to Penguin the publishing rights for the Early Works and the Late Works, respectively, with significantly improved financial terms for the benefit of Elaine.

Thom, and the heirs of John IV (who died in 1991). Pet. App. 3a-4a.<sup>4</sup> For example, where the 1938 Agreement provided for an annual royalty calculated as a percentage of sales, the 1994 Agreements guarantee minimum yearly payments of hundreds of thousands of dollars, plus additional royalties above that amount based on yearly sales. *Id.*; 2d Cir. J.A. 483-84, 499-500.

The two 1994 Agreements are inextricably related and cross-reference each other. They each require Penguin to keep *all* of Steinbeck's works in print, thereby enhancing the family's opportunity to earn royalties from less popular works that might otherwise be taken out of print. The agreement for the thirteen Early Works owned exclusively by Elaine thus provides that Penguin must keep in print not only those thirteen works, but also the fifteen Later Works "which are the subject of a separate agreement with Elaine Steinbeck and Thomas Steinbeck." 2d Cir. J.A. 493. Likewise, the agreement for the fifteen Later Works requires Penguin to keep in print not only those works, but also the Early Works "which are the subject of a separate agreement with Elaine Steinbeck." *Id.* at 509.

Elaine executed both agreements simultaneously on October 24, 1994. Pet. App. 3a-4a & n.1. She executed the first agreement for the thirteen Early

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<sup>4</sup> The 1994 Agreement for Steinbeck's Early Works also covers a work authored by Elaine (*Steinbeck: A Life in Letters*), and both Agreements include collections of certain Steinbeck works as well.

Works in her capacity as the 100% owner of those works. She executed the second agreement for the fifteen Late Works both in her capacity as co-owner of those works and using the irrevocable power of attorney that Thom and John IV had transferred to her as part of the 1983 settlement agreement. *Id.* at 4a n.1. Thom then signed an acknowledgement, both on his own behalf and on behalf of the executor of the estate of then-deceased John IV, ratifying the 1994 Agreement for the Late Works, including the provision explicitly referencing the companion agreement for the thirteen Early Works owned separately by Elaine. *Id.*; 2d Cir. J.A. 509, 514.

Thus, Elaine's cancellation of the 1938 Agreement and renegotiation of improved terms from Penguin under the 1994 Agreement covering the Early Works was part of a single, interrelated transaction that significantly benefited Petitioners through their partial interests in the Late Works. Thom has received enhanced royalties for the past fifteen years for Penguin's continued publication of Steinbeck's Late Works. *Id.* Blake also receives royalties from the 1994 Agreement for the Late Works under a confidential settlement she entered into with other heirs of John IV. *See id.* at 29a n.15.

5. Four years after Elaine cancelled the 1938 Agreement and executed the 1994 Agreements with Penguin, Congress enacted the Sonny Bono Copyright Term Extension Act, Pub. L. No. 105-298, 112 Stat. 2827 (1998). As part of that enactment, Congress created new § 304(d), which opened a second window for termination during the period



between 75 and 80 years after a work was originally published. Because John IV died before § 304(d) was enacted, the new termination rights were distributed 50% to Elaine, 25% to Thom, and 25% to Blake. 17 U.S.C. § 304(c)(2)(B), (d)(1). Like the termination rights in § 304(c), the termination rights in § 304(d) apply only to agreements made before 1978.

6. This litigation began shortly after Elaine died in 2003. In her will, Elaine passed all her copyright interests to her daughter, sister, and grandchildren—the Estate Respondents in this action. Pet. App. 4a. But Elaine's 50% share in the termination rights could not be transferred by will and expired on her death. Thus, for the first time, Thom and Blake held a majority of the termination rights. *Id.*

With Elaine out of the picture, Thom and Blake quickly tried to recapture for themselves the publishing rights for the Early Works owned exclusively by Elaine's heirs. Even though termination rights apply only to agreements made before 1978, Thom and Blake served would-be termination notices purporting to terminate and recapture the publishing rights for several of the Early Works that Elaine reassigned to Penguin in 1994, including *Of Mice and Men* and *The Grapes of Wrath*. *Id.* at 4a, 29a-32a. Thom and Blake apparently believe that if they are successful in terminating Penguin's publishing rights for the Early Works, those rights will revert to Thom and Blake, not to the members of Steinbeck's step-family who have inherited the underlying copyrights. Thus,

Thom and Blake are not seeking to use the termination rights simply to recapture rights from Penguin. Rather, their primary motivation is to use the termination rights to override Steinbeck's will and seize ownership over rights that passed to Steinbeck's step-family by will. *But see* 17 U.S.C. § 304(c), (d) (providing that termination rights may not be used to terminate assignments "by will"). In short, Thom and Blake seek to substantively reallocate ownership of rights in the Early Works within the Steinbeck family.<sup>5</sup>

Thom and Blake then filed this lawsuit asserting an assortment of claims against the Estate Respondents and others. 2d Cir. J.A. 12-53.<sup>6</sup> The Estate Respondents asserted counterclaims seeking a declaratory judgment that the termination notices served by Thom and Blake were invalid because they

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<sup>5</sup> Whether the Copyright Act would actually permit one family member to seize another family member's publishing rights in contravention of the author's will is far from clear. As noted, the termination provisions do not apply to transfers made "by will." 17 U.S.C. § 304(c), (d). It is therefore uncertain whether the termination rights may be used by Thom and Blake to effectively nullify Steinbeck's will and appropriate for themselves the copyright interests that Steinbeck bequeathed to Elaine. Because the Second Circuit held that Petitioners' attempt to exercise the termination rights failed in any event, the intrafamily-ownership issue has never been litigated in this case.

<sup>6</sup> The Petition in this case concerns only claims related to termination rights. In a recent decision dated March 31, 2009, the district court dismissed Thom and Blake's remaining claims.

purported to terminate an agreement made after 1978. Pet. App. 10a.

Penguin also filed a separate action against Thom and Blake for a declaratory judgment holding the termination notices invalid. *Id.* The district court consolidated the two actions for purposes of ruling on summary judgment motions related to the validity of the attempted terminations. *Id.*

7. Ruling on cross motions for summary judgment, the district court upheld the validity of the termination notices. In a one-paragraph discussion that cited no legal precedent, the district court concluded that Steinbeck's original 1938 Agreement with Viking remained in effect and could therefore be terminated by Thom and Blake. *Id.* at 32a-33a. Based on the incorrect premise that under the 1994 Agreement for the Early Works Penguin did not "lose or gain any rights other than those originally granted to it under the 1938 Agreement," *id.* at 33a, the district court held that the 1994 Agreement for the Early Works did not replace the original 1938 Agreement, which still remained in effect. Thus, the district court held, Thom and Blake could use their termination rights to cancel assignments under that pre-1978 agreement. *Id.*<sup>7</sup>

The Second Circuit reversed. Construing the 1994 Agreement for the Early Works under New York contract law, the Second Circuit concluded that the intent of that agreement was to cancel and

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<sup>7</sup> The district court entered judgment on the termination claims under Fed. R. Civ. P. 54(b). 2d Cir. J.A. 942-44.

revoke the 1938 Agreement with Viking. The court explained that “parties to an agreement can mutually agree to terminate it by expressly assenting to its rescission while simultaneously entering into a new agreement dealing with the same subject matter.” Pet. App. 12a (citing *Jones v. Trice*, 202 A.D.2d 394, 395, 608 N.Y.S.2d 688, 688 (2d Dep’t 1994)). Because the 1994 Agreement had cancelled and replaced the 1938 Agreement, there was no pre-1978 agreement left to be terminated.

The Second Circuit explained that the district court erred both factually and legally in concluding that the 1994 Agreement did not revoke the 1938 one. As a factual matter, the district court erred in asserting that the 1994 Agreement did not materially alter the 1938 Agreement with Viking. The 1994 Agreement obligated Penguin to pay larger guaranteed advanced payments, modified the geographic limits of the publication rights, and required Penguin to keep all the Steinbeck works in print. *Id.* at 12a-13a. As a legal matter, the Second Circuit held that the district court erred in concluding that, because the 1938 Agreement had not yet expired in 1994, it could not be revoked and renegotiated. The Second Circuit explained that “[a] contract that remains in force may still be terminated and renegotiated in exchange for, among other things, one party’s forbearance of her legal right, such as a statutory right to terminate a previous grant of a copyright transfer or license.” *Id.* at 13a (citing *Trans-Orient Mar. Corp. v. Star*

*Trading & Mar. Ind.*, 925 F.2d 566, 573 (2d Cir. 1991)).

The Second Circuit also rejected Thom and Blake's argument that, if the 1994 Agreement indirectly prevented them from exercising their termination rights, it should be voided under the Copyright Act as an "agreement to the contrary." 17 U.S.C. § 304(c)(5). The court noted that Congress specifically intended that "parties to a transfer or license' would retain under [§ 304(c) and (d)] the continued right to 'voluntarily agree[] at any time to terminate an existing grant and negotiat[e] a new one.'" Pet. App. 18a-19a (quoting H.R. Rep. No. 94-1476, at 127 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5743). Otherwise, Congress's creation of the termination right would have substantially *restricted* the ability of an author or his heirs to renegotiate an assignment for better terms, except during the narrow window and under the rigid conditions required for termination under § 304. *Id.* at 18a-19a. Accordingly, the Second Circuit explained, "provided that a post-1978 agreement effectively terminates a pre-1978 grant, Congress did not manifest any intent for the earlier agreement to survive simply for purposes of exercising a termination right in the future." *Id.* at 19a (citing approvingly to *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005)). The Second Circuit concluded that, far from entering into an "agreement to the contrary," Elaine had engaged in a renegotiation process that "appears to be exactly what was intended by Congress." *Id.* at 15a.

## REASONS FOR DENYING THE PETITION

### I. There Is No Circuit Split.

In holding that the 1994 Agreements negotiated by Elaine superseded Steinbeck's pre-1978 license grant and thus prevented exercise of § 304 termination rights with respect to such grant, the Second Circuit adhered to precisely the same rule of law that the Ninth Circuit applied in *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), and *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008). In all three cases, the courts asked whether a pre-1978 agreement was still in effect. Where the pre-1978 agreement was still in place, the courts held that termination rights could still be exercised. But when the pre-1978 agreement had already been revoked and renegotiated, the courts held that no pre-1978 agreement remained to be terminated. All three decisions reflect a consistent application of the same legal rule to different factual circumstances.

Far from creating a split with the Ninth Circuit, the Second Circuit's decision closely parallels the Ninth Circuit's decision in *Milne*, which involved the merchandising rights for the "Winnie the Pooh" character created by Alexander Milne. Milne transferred the merchandising rights in 1930 and those rights were subsequently retransferred to the Walt Disney Company. *Milne*, 430 F.3d at 1039-40. When Congress enacted the Copyright Act of 1976, Milne had already died, and his son, Christopher Robin Milne, received 100% of the newly created



termination rights. *Id.* at 1040. Rather than directly exercise the termination rights, however, in 1983 Christopher Milne negotiated a new agreement with Disney for the merchandising rights, which revoked the original 1930 assignment and simultaneously reassigned the same rights to Disney in exchange for substantial additional royalty payments. 430 F.3d at 1040-41.

In 2002, Christopher Milne's daughter, Claire, attempted to terminate the 1983 assignment of merchandising rights to Disney. *Id.* at 1041. The Ninth Circuit held that Claire's notice of termination was invalid because the 1930 Agreement had been revoked and superseded by the 1983 agreement, leaving no pre-1978 agreement for Claire to terminate under § 304. *Id.* at 1042-43. The Ninth Circuit also rejected Claire's argument that the 1983 agreement negotiated by Christopher Milne should be voided as an "agreement to the contrary." 17 U.S.C. § 304(c)(5). The court explained that, "[a]lthough Christopher presumably could have served a termination notice, he elected instead to use his leverage to obtain a better deal for the Pooh Properties Trust. His daughter, Claire, was a beneficiary of this new arrangement, and her current dissatisfaction provides no reason to discredit the validity of the 1983 agreement and the rights conferred thereby." 430 F.3d at 1045.

The facts in *Milne* closely parallel this case. Like Christopher Milne, Elaine Steinbeck could have joined with Steinbeck's offspring to terminate the agreements with Penguin, but instead she

“renegotiate[d] and cancel[ed] the 1938 Agreement while wielding the threat of termination.” Pet. App. 15a. The 1994 Agreement extinguished the 1930 Agreement, leaving no pre-1978 agreement to be terminated. In leveraging her termination rights for a more favorable deal, Elaine, like Christopher Milne, engaged in a “renegotiation” process that “appears to be exactly what was intended by Congress.” *Id.*

In an attempt to distinguish *Milne*, Petitioners argue that—unlike Claire Milne—Thom and Blake received no benefit from the 1994 Agreement negotiated by Elaine for the thirteen Early Works. As a purely factual matter, that is incorrect. The 1994 Agreement for the thirteen Early Works was part of an integrated deal that obtained similarly favorable terms with respect to the fifteen Late Works that were partially owned by Thom and John IV. *Supra* at 8-10. Thom ratified the companion agreement for the Late Works and has benefited from it for the past 15 years. Pet. App. 4a n.1. Blake has also collected royalties from the companion agreement pursuant to an agreement she entered into with John IV’s heirs. Pet. App. 29a n.15. Further, as Petitioners’ own *amici* point out, Claire Milne did not receive the entire benefit of Christopher Milne’s renegotiated contract with Disney—she benefited only indirectly through the Pooh Properties Trust, which also benefited “various charities along with [Milne’s] family members.” Prof. Br. 16 n.5.

The parallels between this case and *Milne* refute Petitioners' assertion that the Second Circuit and Ninth Circuits are somehow "intractably divided" on this question. Pet. 11 (heading). Just the opposite is true. Before the Second Circuit issued its decision here, the widespread assumption was that if it affirmed the district court with a decision in favor of Thom and Blake, that would create a circuit split with *Milne* that would require this Court's review. See Allison M. Scott, *Oh Bother: Milne, Steinbeck, and an Emerging Circuit Split Over the Alienability of Copyright Termination Rights*, 14 J. of Intell. Prop. L. 357 (2007). Thus, in reversing the decision of the district court in this case, the Second Circuit did not create a circuit split—it averted one.

Petitioners disregard *Milne* and instead argue that the Second Circuit's decision conflicts with another Ninth Circuit case, *Mewborn*. But *Mewborn* applied precisely the same legal principles that the Ninth Circuit applied in *Milne* and that the Second Circuit applied in this case. In this case and in *Milne*, the courts concluded that the original assignments had been revoked and superseded, leaving no pre-1978 agreement in place to be terminated. In *Mewborn*, however, the court examined a post-1978 agreement with very different terms and, on that basis, concluded that the pre-1978 agreement in that case had never been revoked, so that termination rights could still be exercised. Thus, *Mewborn* is simply an instance where the same rule of decision was applied to different facts, resulting in a different outcome. That kind of fact-

based difference obviously does not create a circuit split.

The plaintiff in *Mewborn* was Winifred Mewborn, the daughter of the author of the children's book *Lassie Come Home*. *Mewborn*, 532 F.3d at 980. In 1976, Winifred Mewborn executed an agreement assigning to Classic Media all her motion picture, television, and radio rights in *Lassie Come Home* in exchange for a one-time payment of \$11,000. *Id.* In 1978, Mewborn signed a second agreement with Classic Media assigning additional merchandising, dramatic performance, recording, and publishing rights in *Lassie Come Home*. *Id.* at 980-81. In exchange for assigning these additional rights, Mewborn received the nominal sum of \$3,000. *Id.* at 981. The second agreement did not purport to rescind, revoke, or renegotiate the motion picture, television, and radio rights Mewborn had assigned in 1976. Instead, the second agreement stated that the new rights were being assigned "in addition to" the rights that Mewborn had previously assigned in 1976. *Id.*

When Mewborn served a notice of termination in 2005 to reclaim the rights she had assigned in 1976, Classic Media asserted that the termination notice was invalid because the 1978 agreement had superseded the 1976 one. *Id.* The Ninth Circuit rejected Classic Media's argument and held, as a matter of fact, that while Mewborn could not terminate any of the additional rights she transferred in the 1978 agreement, Mewborn retained the ability to terminate the original rights

she transferred in 1976. *Id.* at 989 & n.8. The Ninth Circuit explained that, “[u]nlike Christopher Milne’s 1983 assignment, which expressly revoked the earlier 1930 and 1961 assignments and simultaneously re-granted the same rights, Mewborn’s 1978 Assignment explicitly stated that it granted rights ‘in addition to’ the rights granted in the 1976 Assignment.” *Id.* at 989. Accordingly, because the 1976 agreement remained in effect, Mewborn retained the ability to terminate rights transferred pursuant to that agreement.<sup>8</sup>

In addition, the Ninth Circuit explained, “Mewborn’s predicament is a far cry from Christopher Milne’s.” *Id.* Christopher Milne had used his termination rights as leverage to negotiate a more lucrative deal. In contrast, there was “no evidence in the record that Mewborn was even aware of her termination rights in March 1978,” much less that she used them as negotiating leverage when she

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<sup>8</sup> As background to its discussion of termination rights, *Mewborn* cited the district court’s decision in this case (which was then on appeal but had not yet been reversed) upholding the validity of Thom and Blake’s termination notices. *Mewborn*, 532 F.3d at 986. But *Mewborn*’s discussion was based on the district court’s erroneous *factual* conclusion that “at no point did Penguin lose or gain any rights other than those originally granted to it under the 1938 Agreement.” *Id.* at 986 (quoting Pet. App. 33a). On appeal, the Second Circuit ruled that the district court’s factual statement was incorrect and that the 1994 Agreement did in fact replace the 1938 Agreement with materially different terms. Pet. App. 12a-13a. Nothing in *Mewborn* indicates that the Ninth Circuit would have reached a different result than did the Second Circuit based on a correct understanding of the underlying facts.

had received only the paltry additional payment of \$3,000. *Id.*

All of the facts that the Ninth Circuit relied on to distinguish *Mewborn* from *Milne* also distinguish *Mewborn* from this case. First, the 1994 Agreements negotiated by Elaine—like the agreement signed by Christopher Milne but unlike the agreement signed by Winifred Mewborn—expressly revoked and re-granted the pre-1978 assignment of rights. Pet. App. 4a. Second, at the time Elaine negotiated the 1994 Agreements, termination notices could have been immediately served for ten of the Early Works and seven of the Late Works. *Supra* at 8. Like Christopher Milne, Elaine therefore held an immediate power to terminate that she leveraged to negotiate a more favorable deal. Pet. App. 15a. Third, unlike Winifred Mewborn, who did not renegotiate the pre-1978 grant for more generous terms, Elaine negotiated a far more lucrative agreement guaranteeing minimum yearly payments of several hundreds of thousands of dollars and requiring that all of Steinbeck's works be kept in print. *Supra* at 8-10. The Petitioners dismiss these distinctions as “unpersuasive,” Pet. 14, but they are precisely the same factors the Ninth Circuit relied on to distinguish *Milne* from *Mewborn*.

Nor did *Mewborn* create a circuit conflict through its discussion of whether the 1978 agreement in that case was an “agreement to the contrary.” Because the *Mewborn* court found as a factual matter that the 1976 assignment remained in effect, the court concluded that if the 1978 agreement purported to



assign Mewborn's termination rights, such an assignment would be an "agreement to the contrary." *Mewborn*, 532 F.3d at 986. But *Mewborn* did not hold or even suggest that the 1978 agreement would have been an "agreement to the contrary" if (like the post-1978 agreements in this case and *Milne*) it had revoked and renegotiated the pre-1978 assignment, thereby leaving nothing to terminate. Given the facts of *Mewborn*, any such suggestion would have been dicta. It also would have been contrary to *Milne*, which *Mewborn* pointedly did not overrule. *Id.* at 988. In fact, to the extent there might be any conflict with *Mewborn* at all (which there is not), it would be an intra-circuit conflict within the Ninth Circuit that should be resolved by that court en banc if necessary. Such an intra-circuit conflict is not a proper basis for invoking this Court's certiorari jurisdiction. *See* Sup. Ct. R. 10.<sup>9</sup>

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<sup>9</sup> Petitioners implicitly concede as much when they claim the case law within the Ninth Circuit is "confused and fractured," Pet. 16—which appears to be a euphemism for alleged (though non-existent) intra-circuit splits. In that vein, Petitioners also claim the decision below is somehow in tension with the Second Circuit's own earlier decision in *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002). Pet. 17. The Second Circuit in *Marvel* held that the author of *Captain America Comics* could terminate a 1940 publishing agreement with Marvel Comics notwithstanding a 1969 agreement the author signed that retroactively re-characterized the comic as a "work for hire." The facts in *Marvel* bear no resemblance to this case. All the agreements in *Marvel* took place before 1978, so there was unquestionably a pre-1978 grant in place to be terminated. And the author in *Marvel* had clearly not used his termination rights as leverage to negotiate a more favorable agreement

In short, the difference between this case and *Milne* on the one hand and *Mewborn* on the other is that Christopher Milne and Elaine Steinbeck cancelled and renegotiated pre-1978 licenses while Winifred Mewborn did not. The *Mewborn* decision does not call into question the basic premise that a copyright owner may use termination rights as leverage to cancel a pre-1978 agreement and negotiate a new license with more favorable terms. There is no circuit split for this court to resolve—just different cases reaching different outcomes by applying the same legal rule to different underlying contracts.

## II. The Test Employed By the Second and Ninth Circuits Does Not “Turn Back the Clock” to *Fred Fisher*.

Effectively acknowledging that there is no circuit split, Petitioners’ *amici* argue that both the Second Circuit and the Ninth Circuit have misinterpreted § 304, which in *amici*’s view should prohibit copyright owners from revoking and renegotiating

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because the second agreement had been entered into in 1969, before those termination rights even existed. *See* Pet. App. 18a (“*Marvel* concludes only that backward-looking attempts to recharacterize existing grants of copyright so as to eliminate the right to terminate under 304(c) are forbidden by 304(c)(5). There was no such attempt at recharacterization here”). In any event, even if the decision below could not be reconciled with an earlier decision from the Second Circuit, that purported intra-circuit conflict would be no basis for this Court’s intervention. Petitioners’ reliance on *Marvel* to support their petition for certiorari simply underscores their inability to point to a true circuit split warranting this Court’s review.

pre-1978 agreements without formally serving termination notices. *Amici* admit that no appellate decision, including *Milne* and *Mewborn*, has ever adopted that view. See Prof. Br. 15 (asserting that “[n]one of these decisions follow [sic] the clear dictates of the federal statute”).<sup>10</sup> But *amici* nevertheless assert that the test unanimously adopted by the courts of appeals would “turn[] back the clock to the *Fisher* regime, under which publishers could contractually block authors and their families from exercising copyright reversion.” Prof. Br. 12.

These policy-based concerns are groundless. The problem created by the *Fred Fisher* decision was that publishers could use their superior bargaining power to force unknown authors to assign their renewal rights at the time the works were first published, long before their value was known. See *Mills Music*, 469 U.S. at 172-73 (referring to “ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product”). But § 304 applies only to grants made before 1978. Thus, all the copyrights implicated by § 304 are at least 30 years old, and the holders of termination rights for these

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<sup>10</sup> Indeed, *amicus curiae* Professor Nimmer served as counsel of record to Claire Milne before the Ninth Circuit and in a petition for a writ of certiorari to review the Ninth Circuit’s decision. Prof. Br. 2. *Amici*’s brief in support of Petitioners recapitulates the same arguments that the Ninth Circuit considered and rejected in *Milne* and that this Court found insufficient to justify granting Milne’s petition for certiorari.

copyrights already have had time to “appreciate the true value of [the] work product.” *Id.* Instead of allowing the holders of termination rights to capitalize on that value, *amici’s* proposed test would lock copyright holders into pre-1978 agreements until the termination rights could be formally exercised. Indeed, if the holders of termination rights for a work were deadlocked—as occurred for decades in this case until Elaine passed away—*amici’s* theory would frequently have the perverse result of freezing “ill-advised and unrenumerative” agreements in place. *Id.* The only beneficiaries of *amici’s* proposed straitjacket would be publishers who had extracted unfavorable terms from authors when the value of their works was unknown.

In recognition that all copyrights implicated by § 304 are already 30 years’ old, *amici* assert that the Second Circuit’s decision could have a broader impact on a different set of termination rights for post-1978 assignments under § 203. But the lower courts’ test—Is there a pre-1978 transfer in place to be terminated?—cannot possibly implicate termination rights under § 203 because that section, unlike § 304, is not limited to grants made before 1978. Because § 203 does not require that a pre-1978 grant still be in effect, termination rights under § 203 could be exercised even if the original grant has already been revoked and renegotiated. Nothing in the Second Circuit’s decision is to the contrary.

The Second Circuit’s decision will have no impact on new authors or on the separate termination provisions for post-1978 grants in § 203. *Amici’s* dire

predictions are fundamentally misplaced and certainly provide no reason for granting certiorari.

### III. At Most, the Petition Raises Fact-Bound Questions Concerning a Particular Contract.

Every Court of Appeals to consider the issue has held that copyright owners may, in principle, negate a precondition for exercising termination rights by leveraging those rights to cancel and renegotiate a pre-1978 agreement for more favorable terms. The question before the Second Circuit was therefore whether Elaine's 1994 Agreement with Penguin cancelled and superseded the pre-1978 agreement (as in *Milne*) or simply reaffirmed the previous transfers leaving the pre-1978 agreement intact (as in *Mewborn*). This is fundamentally a fact-bound question concerning a particular contract, not a broad question of statutory interpretation warranting this Court's review.

The 1994 Agreement with Penguin clearly and unambiguously stated that "this agreement, when signed by Author and Publisher, will cancel and supersede" all prior agreements for the Early Works, including the 1938 Agreement. Pet. App. 4a; 2d Cir. J.A. 507. Petitioners nevertheless assert that, as a matter of contract interpretation, the Second Circuit erred in concluding that the 1994 Agreement revoked the 1938 Agreement and the termination rights that went with it because the 1994 Agreement "explicitly contemplated the future exercise of termination rights." Pet. 23 (quoting Pet. App. 10a). In support of their contract interpretation, Petitioners point to

section 9A of the 1994 Agreement, which gave Penguin the ability to claw back the enhanced payments it made pursuant to the 1994 Agreement in the event that Elaine's statutory termination rights were ever exercised. Pet. 7.

The Second Circuit correctly held that section 9A's oblique reference to the future exercise of termination rights "does not abrogate the 1994 Agreement's clear expression of intent to terminate all prior grants of a transfer or license in the subject copyrights." Pet. App. 14a. And because the 1994 Agreement, as so construed under New York contract law, cancelled the 1938 Agreement, there was no pre-1978 agreement in place for Thom and Blake to terminate. *Id.* at 12a-14a. Rather than evidencing intent to preserve termination rights, section 9A underlines that the parties intended to negotiate a quid pro quo whereby Penguin was agreeing to more generous payment terms in exchange for Elaine's decision to refrain from serving termination notices. Section 9A is thus akin to a *force majeure* clause addressing what would happen if, contrary to the expectations of the parties, termination rights somehow survived. As a matter of contract interpretation, the Second Circuit correctly conclude that this belt-and-suspenders provision did not somehow negate the 1994 Agreement's express and unambiguous intent to "cancel and supersede" the 1938 Agreement. *Id.* at 4a, 14a.

Ultimately, Thom and Blake's petition boils down to an assertion that the Second Circuit misinterpreted the 1994 Agreement in light of its



section 9A. But, even if Thom and Blake's interpretation of the 1994 Agreement and its section 9A had merit, their Petition does not present a question of federal statutory interpretation, much less a question on which the courts of appeals are divided. The petition for writ of certiorari to review this fact-bound question should be denied.<sup>11</sup>

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<sup>11</sup> The fact that this dispute turns on state law rules of contract interpretation further counsels against granting certiorari. "Although the United States Copyright Act, 17 U.S.C. §§ 101-1332, grants exclusive jurisdiction for infringement claims to the federal courts, those courts construe copyrights as contracts and turn to the relevant state law to interpret them." *Automation By Design, Inc. v. Raybestos Prods. Co.*, 463 F.3d 749, 753 (7th Cir. 2006); cf. *Wharf (Holdings) Ltd. v. United Int'l Holdings, Inc.*, 532 U.S. 588, 596 (2001) (declining to review 10th Circuit's application of Colorado contract law, even though state law question would determine whether federal statute applied to the contract). Petitioners' *amici* seek to elevate the petition above a state-law question of contract interpretation by asking this Court to create a new federal common law of contract interpretation for renegotiated copyright licenses. Prof. Br. 13-14. But even if the renegotiated agreement were interpreted under federal common law, Congress specifically stated that "'parties to a transfer or license' would retain under [§ 304(c) and (d)] the continued right to 'voluntarily agree[] at any time to terminate an existing grant and negotiat[e] a new one.'" Pet. App. 18a-19a (quoting H.R. Rep. No. 94-1476, at 127 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5743). As a result, whether the 1994 Agreement is interpreted in accordance with state law or federal common law, a court must make an individualized determination of whether the particular contract before it left a pre-1978 agreement in place. That is a fact-bound question that does not warrant this Court's review.

#### IV. This Dispute Between Two Factions of the Steinbeck Family Is a Poor Vehicle for Interpreting § 304's Termination Provisions.

A final reason for declining exercise of this Court's discretionary jurisdiction is the distinctive intrafamily character of the dispute here. This is not primarily a dispute between a publisher on the one hand and an author's family on the other. It is a dispute between two different factions of the Steinbeck family. Thom and Blake seek to use § 304 not to obtain a more lucrative publishing deal for Steinbeck's family, but to undo Steinbeck's will and seize for themselves the copyright interests that Steinbeck intended to transfer to different family members.

Thom and Blake's efforts to use the termination provisions to override Steinbeck's will and seize copyright ownership from other members of the Steinbeck family are far afield from the central goals Congress had in mind when it created the statutory termination provisions. Congress created the termination right to "safeguard[] authors against unremunerative transfers," H.R. Rep. No. 94-1476 at 124 (1976), *as reprinted in* 1976 U.S.C.C.A.N 5659, 5740, not to privilege the author's "blood heirs" over other family members. To be sure, Congress designated certain statutory heirs who could exercise termination rights. But Congress also sought to honor the author's own decisions about how to allocate his or her inheritance by exempting transfers made by will from the termination provisions. 17 U.S.C. § 304(c), (d). Nothing in the

legislative history suggests that Congress's purpose was to create a birthright for biological offspring to nullify the author's will and disinherit the author's step-family.

This idiosyncratic, fact-bound dispute presents an extremely poor vehicle for interpreting the complicated statutory provisions in 17 U.S.C. § 304 and the interrelationship between rights recaptured by termination and rights inherited by will, which cannot be terminated. Petitioners have not cited any other decision involving the use of termination notices to nullify an author's will or re-allocate copyright ownership within an author's family. Petitioners have certainly not identified a circuit split on this complex issue that might conceivably warrant this Court's review.

### CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be denied.

Respectfully submitted,

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April 17, 2009

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No. 08-1039

Supreme Court, U.S.  
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**In The  
Supreme Court of the United States**

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THOMAS STEINBECK and BLAKE SMYLE,

*Petitioners,*

v.

PENGUIN GROUP (USA) INC., et al.,

*Respondents.*

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**On Petition For A Writ Of Certiorari  
To The United States Court Of Appeals  
For The Second Circuit**

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**BRIEF IN OPPOSITION FOR RESPONDENT  
PENGUIN GROUP (USA) INC.**

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## **COUNTERSTATEMENT OF QUESTION PRESENTED**

Whether Petitioners have presented compelling reasons to grant the Petition where (1) the Second Circuit's decision is correct under the plain meaning of the text of Sections 304(c)-(d) of the Copyright Act, is expressly supported by the legislative history of the termination provisions of the Copyright Act, and is consistent with the history and policy behind the termination provisions; and (2) the Second Circuit's decision does not conflict with a decision of this Court, any court of appeals or any other court.



## **PARTIES TO THE CASE AND RULE 29.6 STATEMENT**

In addition to the parties named in the caption, Waverly Scott Kaffaga (individually and as executor of the estate of Elaine Anderson Steinbeck), David Scott Farber, Anderson Farber Runkle, Jebel Kaffaga, Bahar Kaffaga, and Jean Anderson Boone were defendants and counterclaim-plaintiffs in the district court, were appellants in the court of appeals, and are respondents in this Court.

McIntosh & Otis, Inc., The Steinbeck Heritage Foundation, Eugene H. Winick, Samuel Pinkus, and Steven Frushtick were defendants and counterclaim plaintiffs in the district court. Nancy Steinbeck was an intervenor-plaintiff in the district court. Francis Anderson Atkinson and Does 1-10 were defendants in the district court.

Respondent Penguin Group (USA) Inc. is a wholly-owned subsidiary of Pearson Longman, Inc. Pearson Longman, Inc. is a wholly-owned subsidiary of Pearson Inc. Pearson Inc. is owned by Pearson Capital Company LLC and Pearson Luxembourg Holdings Ltd. and their parent, Pearson Overseas Holding Ltd. Pearson Overseas Holding Ltd. is owned by Pearson Capital Company LLC and by Pearson plc. No publicly held corporation owns 10% or more of the stock of Penguin Group (USA) Inc.

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## **BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI**

The only courts of appeals to have considered the issues in this case, the Second and Ninth Circuits, are in harmony. The court below correctly rejected Petitioners' arguments and applied the statute as written, in accordance with the legislative history and the policy behind the termination provisions.

Petitioners' quarrel is not with the Second or Ninth Circuits' decisions, but with Congress's decisions: to make statutory termination neither automatic nor mandatory; to structure the statute so that termination rights may be exercised only once, under a carefully balanced assortment of conditions, time limits and procedural requirements; and to maintain contractual termination as an equally viable, even superior, avenue to achieving termination's fundamental goal:

to provide successors in interest with an opportunity to obtain the fair value of the work by negotiating new terms for previously granted rights once the work's true value has appeared.

Pet.9.

That is exactly what happened in this case. In 1994 John Steinbeck's widow, testamentary heir, and statutory heir to the author's termination rights used the leverage afforded by her ability to exercise statutory termination rights to negotiate new and far better terms for rights her husband granted 56 years

earlier. Elaine Steinbeck exercised the right Congress expressly reserved to authors and heirs to voluntarily agree to terminate an existing grant and negotiate a new one on better terms.

Neither this case nor the Ninth Circuit decisions involve termination rights being “extinguished by contract.” Pet.1. The undisputedly valid publishing agreement that Elaine Steinbeck entered into with Penguin in 1994 simply canceled and superseded all previous agreements, consistent with basic contract law. Far from “extinguishing” termination rights, it achieved the very result Congress envisioned when it enacted the termination provisions. In truth, the statutorily-prescribed conditions to vest Petitioners with a Section 304(d) termination right never existed. That right applies only to existing grants that were “executed prior to January 1, 1978.” When Congress created the Section 304(d) termination right, no pre-1978 grant existed with respect to the works in question.

Petitioners correctly characterize the termination statute as “Congress’s carefully calibrated effort,” Pet.5—but ask this Court to construe the statute so that a single provision, Section 304(c)(5), renders much of the remainder superfluous. Petitioners urge an unprecedented and sweeping “effect test” because no tenable construction will produce the result they seek. There is no basis in the statute or legislative history for Elaine Steinbeck’s 1994 agreement to be considered “any agreement to the contrary.”

Petitioners in effect ask this Court to rewrite Congress's carefully calibrated effort, judicially legislating a new, fourth category of statutory termination. The three statutory termination provisions—Sections 304(c), 304(d) and 203—have in common a bright line: January 1, 1978. There is no “hybrid” category allowing statutory termination of transfers executed pre-1978 that were revoked and replaced post-1978. That is not an oversight. Congress's intent that a copyright owner could make a new, superseding agreement is clear, as is its intent that a pre-1978 agreement, validly revoked and replaced by a superior post-1978 agreement, is not to be revived simply to be terminated again.

Petitioners' interpretation, which would mandate statutory termination as the only method by which an author or heirs may revoke a pre-1978 transfer to make a more lucrative one, would be at the expense of countless authors and heirs for whom contractual termination can achieve termination's ends better and sooner. That is directly contrary to Congress's intent, as expressed in the statute and legislative history.

Petitioners' true complaint is that John Steinbeck bequeathed the renewal copyrights in his early works to his wife Elaine, and left the renewal copyrights in his later works to be jointly owned by his sons John IV and Petitioner Thomas Steinbeck, along with Elaine. Petitioners seek to effectively annul the author's will.

## STATEMENT OF THE CASE

### I. BACKGROUND

#### A. Statutory Framework and Context

##### 1. The Reversion Provisions of the 1909 Copyright Act and the "*Fred Fisher Problem*"

Under the Copyright Act of 1909 copyright protection was available for 28 years from the date copyright was secured. 17 U.S.C. § 24, repealed by Copyright Act of 1976, 17 U.S.C. § 101 *et seq.* (the "1976 Act"). See H.R. Rep. No. 94-1476, 133-34 (1976) ("House Report"). On the expiration of the initial 28-year term, the author could renew the copyright for a 28-year "renewal term."

The reversion-on-renewal scheme was intended to afford authors of valuable works a second chance to profit from grants of rights:

If the work proves to be a great success and lives beyond the term of twenty-eight years ... it should be the exclusive right of the author to take the renewal term.

H.R. Rep. No. 60-2222, 14 (1909). Reversion—was meant "to protect the author and his family against his unprofitable or improvident disposition of the copyright," Report of Register of Copyrights on General Revision of U.S. Copyright Law, House Comm. on Judiciary, 87th Cong., 53 (1961) ("Register's Report"), and "to alleviate the problem of the inability of authors to know the true monetary value of their works

prior to commercial exploitation," *Woods v. Bourne Co.*, 60 F.3d 978, 982 (2d Cir. 1995), by giving authors, or the spouses and/or children of deceased authors, a second chance to negotiate transfers and licenses when the value of a work had been established by up to 28 years of commercial exploitation.

However, "the reversionary purpose of the renewal provision [was] thwarted to a considerable extent," Register's Report 53, after this Court held in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), that an author's assignment of future renewal rights during the initial copyright term was binding if the author lived to the end of the initial term, and renewal registration was then made in his or her name. After *Fred Fisher*, some "publishers began to insist that authors assign both their initial and renewal rights to them in one transfer," effectively "eliminating" such authors' renewal rights. *Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 284 (2d Cir. 2002).

On the other hand, this Court interpreted the renewal provision as providing that if the author died before the renewal term, such a "prematurely deceased" author's statutory successors (widow and/or children) would take the renewal term notwithstanding the author's prior assignment of the renewal term. *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373 (1960).

## 2. The Termination Provisions of the 1976 Copyright Act

The 1976 Act eliminated the renewal scheme for works created or first published on or after January 1, 1978, and set the term of protection for post-1978 works as the life of the author plus 50 years. 17 U.S.C. § 302 (1982). For existing pre-1978 copyrights, the 1976 Act retained the original term running from the publication date, but increased the renewal term to 47 years, for a total term of 75 years. 17 U.S.C. § 304 (1982). Congress retained the renewal scheme for pre-1978 works because “[a] great many of the present expectancies in these cases are the subject of existing contracts, and it would be unfair and immensely confusing to cut off or alter these interests.” House Report 139.

The statute affords authors, or deceased authors’ designated successors, an opportunity to terminate certain earlier transfers of rights for the extended renewal term. The purpose of termination is the same as that of reversion under the 1909 Act: to “safeguard[] authors against unremunerative transfers,” House Report 124, 140; S. Rep. No. 94-473, 108, 123 (1975) (“Senate Report”), by “permit[ting] [authors] to renegotiate transfers that do not give them a reasonable share of the economic returns from their works,” Register’s Report 92. “A provision of this sort [was] needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work’s value until it has been exploited.” House Report 124.



Which termination provision may apply depends on when a transfer was executed, and by whom. Section 203 is limited to grants "executed by the author on or after January 1, 1978." Such grants may be terminated during a five-year period beginning 35 years after the grant. 17 U.S.C. § 203.

Section 304(c) is limited to grants "executed before January 1, 1978." If a majority of those owning the author's termination interest so choose, 17 U.S.C. § 304(c)(1), they may terminate such a pre-1978 grant during "a period of five years beginning at the end of fifty-six years from the date copyright was originally secured...." 17 U.S.C. § 304(c)(3). The termination right is exercised by serving "advance notice" on the grantee or its successor "not less than two or more than ten years before" the effective date. 17 U.S.C. § 304(c)(4)(A).

A deceased author's surviving spouse owns the author's entire termination interest, unless there are surviving children or grandchildren, in which case the spouse owns half of the author's interest, with the other half divided *per stirpes* among the surviving children, and surviving children of any deceased children, of the author. 17 U.S.C. § 304(c)(2)(A)-(C).

"[P]recisely to avoid the result wrought by the *Fred Fisher* decision," *Marvel*, 310 F.3d at 291, the statute provides:

Termination of the grant may be effected notwithstanding any agreement to the

contrary, including an agreement to make a will or to make any further grant.

17 U.S.C. § 304(c)(5).

In 1998 the Sonny Bono Copyright Term Extension Act ("CTEA") extended by 20 years the 75-year duration of subsisting pre-1978 copyrights. The CTEA included a new termination provision, Section 304(d), which applies to copyrights in their renewal term on October 27, 1998, for which the termination right under Section 304(c) had expired by that date and had not been exercised. Section 304(d) gives authors or heirs an opportunity to terminate existing pre-1978 grants during a five-year period beginning 75 years after the copyright was secured. 17 U.S.C. § 304(d).

### **3. The Legislative History of the Termination Provisions**

The 1976 Act was the product of "what must surely be the longest sustained copyright reform effort on record," Frank R. Curtis, *Protecting Authors in Copyright Transfers: Revision Bill § 203 and the Alternatives*, 72 Colum. L. Rev. 799, 799 (1972), and this Court and others have accorded the extensive and detailed legislative history special status in interpreting the 1976 Act. See *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 743, 747 (1989); *Marvel*, 310 F.3d at 289-90; *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1044-47 (9th Cir. 2005); *Classic Media, Inc. v. Mewborn*, 532 F.3d 978, 984

(9th Cir. 2008); *Penguin Group (USA) Inc. v. Steinbeck*, 537 F.3d 193, 203 (2d Cir. 2008) (Pet.App.18a-19a). As this Court has noted,

the authoritative source for finding the Legislature's intent lies in the Committee Reports on the bill, which represent the considered and collective understanding of those Congressmen involved in drafting and studying proposed legislation.

*Eldred v. Ashcroft*, 537 U.S. 186, 210 (2003) (internal quotations omitted). Professor Nimmer characterized the House Report as "the most important piece of legislative history concerning the [1976] Act." Melville B. Nimmer, *Termination of Transfers Under the Copyright Act of 1976*, 125 U. Pa. L. Rev. 947, 950 (1977). However, because Petitioners' and amici's argument is unsupported, indeed refuted, by the legislative history, they simply omit any substantive discussion of it.

Concerning Sections 203 *and* 304, both the House and Senate explicitly preserved authors' and heirs' freedom to terminate transfers contractually:

nothing in this Section or legislation is intended to change the existing state of the law of contracts concerning the circumstances in which an author may cancel or terminate a license, transfer, or assignment.

House Report 128, 142; Senate Report 111, 125. Moreover,

Nothing contained in this Section or elsewhere in this legislation is intended to extend the duration of any license, transfer or assignment made for a period of less than thirty-five years. If, for example, an agreement provides an earlier termination date or lesser duration, or if it allows the author the right of canceling or terminating the agreement under certain circumstances, the duration is governed by the agreement.

House Report 142; Senate Report 125.

And both houses of Congress, in discussing termination under Section 203, stated identically that the termination provision

would not prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one, thereby causing another 35-year period to start running.

House Report 127; Senate Report 111.<sup>1</sup> This language applies equally to Section 304(c) because "subsection (c) of Section 304 is a close but not exact counterpart of § 203." House Report 140; *see* Supplementary Report of Register of Copyrights on General Revision of U.S. Copyright Law, House Comm. on Judiciary, 89th Cong., 95 (1965) ("Register's Supplementary

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<sup>1</sup> *See also* 17 U.S.C. § 304(c)(6)(F) ("Unless and until termination is effected under this subsection, the grant, *if it does not provide otherwise*, continues in effect for the remainder of the extended renewal term.") (emphasis added).

Report”) (“Section 304(c) ... provid[es] an opportunity to terminate ... under the same conditions and with the same limitations provided in the earlier Section.”). Thus, Congress limited its discussion of Section 304(c) to “the most important distinctions between the termination rights under the two Sections.” House Report 141.

Termination was intended to afford a “statutory beneficiary who has signed a disadvantageous grant ... *the opportunity* to reclaim the extended term.” House Report 141 (emphasis added). In “the lengthy history of negotiation and compromise which ultimately produced the [1976] Act,” *Reid*, 490 U.S. at 743, “automatic” or mandatory termination was considered and rejected. House Report 124; see Brief *Amicus Curiae* of Professors Menell and Nimmer 6-7. Instead, Congress enacted “a practical compromise that will further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved,” House Report 124, Senate Report 108, providing “a practical benefit for authors and their families without being unfair to publishers, film producers and other users.” Register’s Supplementary Report 72.

To help authors and heirs achieve that “practical benefit,” Congress expressly preserved their freedom of contract, particularly their freedom to contractually terminate old grants and obtain new grants on better terms. Congress anticipated, and this case and *Milne* have shown, that “an increased royalty stream to the author’s heirs—the very result envisioned by

Congress,” *Milne*, 430 F.3d at 1047, can be accomplished at least as well through contractual as through statutory termination. Such contracts “fulfill[] the very purposes for which Congress enacted the termination right.” *Id.* at 1048; *Steinbeck*, Pet.App.19a.

## **B. Factual Background**

### **1. John Steinbeck’s Pre-1978 Grant**

In a September 12, 1938 agreement (the “1938 Agreement”), A-111-16,<sup>2</sup> John Steinbeck granted to Penguin’s predecessor The Viking Press, Inc. rights in ten works: *The Long Valley*; *Cup of Gold*; *The Pastures of Heaven*; *To A God Unknown*; *Tortilla Flat*; *In Dubious Battle*; *Of Mice and Men*; *Of Mice and Men (Play)*; *The Red Pony*; and *The Grapes of Wrath* (the “Early Works”). The 1938 grant covered English-language book publishing rights in the U.S. and Canada, certain reprint, serialization and radio rights, and “[m]otion picture and/or dramatic rights.” A-112.

The grant of motion picture/dramatic rights terminated under the contract and reverted to John Steinbeck when the “Publishers’ share” of revenues for such rights reached \$15,000 plus interest. A-114.

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<sup>2</sup> Citations to “A-” refer to the Joint Appendix, and citations to “ADD-” refer to the Addendum, both filed in the court of appeals.



The 1938 Agreement provided for two \$250 advances and ongoing royalties based on net sales. Periodically, the parties amended the agreement as to some or all of the Early Works, but it remained in effect until it was mutually revoked in 1994. John Steinbeck renewed the copyright in each of the Early Works during his lifetime, and on his death in 1968 bequeathed those copyrights by will to his widow Elaine. A-44-53.<sup>3</sup>

The renewal copyrights in Steinbeck's 18 later works, including *Cannery Row*, *The Pearl* and *East of Eden* ("Later Works"), were renewed and owned jointly by Elaine Steinbeck, John IV and Petitioner Thom Steinbeck.<sup>4</sup>

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<sup>3</sup> Petitioners' claim that Steinbeck "pre-assigned his rights under [the renewal term] to Viking in the 1938 agreement," Pet.5—apparently to suggest that the "*Fred Fisher* problem" affected even John Steinbeck—is wrong, as the agreement itself shows. Steinbeck did not convey any renewal rights in the 1938 Agreement. When he renewed, he owned the renewal copyrights outright.

<sup>4</sup> Petitioners' statement that "In 1983, Thom, John IV, and Elaine agreed that each would have a one-third share in the renewal interest in Steinbeck's [Later Works]," Pet.6, is incomplete. They so agreed only after Elaine prevailed on her claim to a *per stirpes* 50% share, with the other 50% going to the sons together. Elaine then agreed to a settlement that gave Thom and John IV the *per capita* split they sought, in return for a power of attorney to exercise their termination interest. The power of attorney gave Elaine control over termination insofar as she alone, using the power, could terminate under Section 304(c). The sons relinquished nothing, however. They could not terminate on their own with only 50%, and if Elaine had exercised her

(Continued on following page)

## 2. The 1994 Agreements

On October 24, 1994 Elaine Steinbeck and Viking Penguin entered into an agreement (the "1994 Agreement"), A-117-131, in which Elaine granted certain rights in the Early Works and in five additional John Steinbeck works, and Elaine's own *Steinbeck: A Life in Letters*.

The 1994 Agreement, governed, like the 1938 Agreement, by New York law, recites that the parties, "for an additional consideration ... have agreed to enter into a new agreement for continued publication of" the Early Works and the six others. A-117. The 1994 Agreement "cancel[s] and supersede[s] the

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and their statutory termination rights, they would not have objected.

The circuit court did "observe" that "it is unclear that her exercise of those rights would have been valid," Pet.6-7, but concluded, "the resolution of these speculations is immaterial." Pet.App.17a. Indeed, it was Elaine's decision *not* to exercise those rights that Petitioners complained of in the district court, arguing without basis that Elaine had a "fiduciary duty" to exercise not only their interest but her *own* interest in favor of termination, even against her own wishes. However, Elaine, like any statutory heir, had the unfettered right to "vote" her termination interest as she wished. The district court dismissed Petitioners' fiduciary duty and fraud claims against Elaine's estate, finding that Petitioners' "only grievance appears to be that they could have received more money from exploitation of their own copyright interests, specifically if Elaine Steinbeck had exercised termination rights." *Steinbeck v. McIntosh & Otis*, 2009 WL 928189, \*8 (S.D.N.Y. 2009).

previous agreements, as amended, for the Works ... covered hereunder," A-126.<sup>5</sup>

The rights granted in the 1994 Agreement comprise "the sole and exclusive right to publish the Work[s] in volume form in the English language throughout the United States, its territories and dependencies, the Philippines and Canada," and non-exclusive rights "in the rest of the world outside the British Commonwealth of Nations (excluding Canada)." A-118. The 1994 grant also includes subsidiary rights, comprising reprint rights; book club rights; second serial/anthology rights; audio-visual rights including data storage and retrieval; and publication in forms for use by the physically handicapped. A-122-24.

The 1938 grant of "motion picture and/or dramatic rights" is not repeated in the 1994 Agreement, which instead requires Penguin, "[i]n the event of the disposition of performance rights [by Steinbeck to a third party,] to grant to the purchaser the privilege to publish excerpts and summaries of the Work ... for advertising and exploiting such rights...." A-124.

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<sup>5</sup> Simultaneously with the execution of the 1994 Agreement, Elaine Steinbeck and Petitioner Thom Steinbeck entered into a substantially identical agreement with Penguin for continued publication of the Later Works (the "1994 Later Works Agreement"), owned jointly by Elaine and Thom. Like the 1994 Agreement, the 1994 Later Works Agreement contractually revoked all previous agreements for the Later Works, and effected a new grant of rights for new and far better consideration. A-132-46.

The additional consideration under the 1994 Agreement is very substantial, including annual guarantees, paid regardless of whether the prior year's guarantee is earned, ranging from \$435,500 in the first year to \$335,000 for the seventh and subsequent years, adjusted upward (1) based on increases in the National Consumer Price Index, and (2) for "excess earnings": royalty earnings during the prior year that exceeded the minimum guarantee. A-118-19.<sup>6</sup>

A contractual termination clause provides that if *any* of the Early Works or the Later Works goes out of print, Penguin's rights in *all* of the Works revert to the author. A-128-29. This ensured that Penguin would continue to exploit all of John Steinbeck's works (not just the most popular ones), maximizing the opportunity for sales and royalties to the author's heirs, including Petitioners. The 1994 Agreement provides higher royalties on the rights granted and subjects virtually all subsidiary rights licenses "to the

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<sup>6</sup> The identical provision in the 1994 Later Works Agreement, A-133-34, resulted in very substantial royalties to Petitioners after *East of Eden* was the first selection of the relaunched Oprah's Book Club in 2003. A pre-1978 grant of rights in *East of Eden*, published in 1952, would not have been subject to statutory termination until 2008. Petitioners thus have experienced firsthand the benefits of contractual rescission and re-grant, and its potential superiority to statutory termination as a means for authors' heirs to realize the increased value of works.

Author's approval," A-122-23, maximizing the author's control.

The very substantial benefits John Steinbeck's statutory heir obtained by canceling a 1938 grant and renegotiating a new one 56 years later reflected the increased value of the Early Works—and demonstrate that the "practical benefit for authors and their families" that termination was intended to provide, Register's Supplementary Report 72, can be achieved as well, and sooner, by contract, using the leverage of unexercised statutory termination rights.

## **II. THE PROCEEDINGS BELOW**

### **A. District Court**

Elaine Steinbeck died in 2003. In June 2004 Petitioners served on Penguin a Notice of Termination (the "Termination Notice") under Section 304(d), purporting to terminate grants executed by John Steinbeck "before January 1, 1978." A-149-51. Penguin sought a declaration that the Termination Notice was invalid and ineffective because the licenses that John Steinbeck granted in the 1938 Agreement, and all previous agreements for the Early Works, were validly terminated in 1994 by Steinbeck's widow Elaine, as sole owner of the copyrights and a statutory heir to Steinbeck's termination rights. As a result, there was no grant "executed before January 1, 1978" in existence when Petitioners served the Termination Notice.

On June 9, 2006, the district court granted Petitioners' motion for summary judgment, holding the Termination Notice to be valid as a matter of law. The district court found that the 1994 Agreement "*expressly preserves* Section 304 termination rights (at least with respect to Elaine Steinbeck, who, at the time, owned one-half)," and that "the copyright interests purportedly granted by the document were granted subject to [termination] rights." Pet.App.33a (emphasis original).

The district court, apparently aware of the infirmity of its holding that statutory rights can be created or "preserved" contractually, backed it up with a catch-all whose potential negative consequences to authors and heirs were enormous. The district court held that "to the extent that the 1994 Agreement would strip Thom and Blake ... of their inalienable termination rights in the pre-1978 grants, it is void as an 'agreement to the contrary' pursuant to 17 U.S.C. § 304(c)(5)." The district court found that "the statute declares void any contract the effect of which is in contravention of or which negates ... termination rights." Pet.App.26a. The result orientation of the district court's "effect test" was even clearer in its holding that "[a]ny interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest—Thom and Blake—in favor of Elaine's heirs must be set aside...." Pet.App.34a.



The district court ignored the legislative history and the Ninth Circuit's holding in *Milne*, neither of which is even cited in the district court's opinion.

### **B. Court of Appeals**

The Second Circuit reversed in a unanimous opinion. Pet.App.1a-20a. The analysis was straightforward:

The Copyright Act provides a termination right for the grant of a transfer or license of copyright made by parties other than the author only if the grant was made prior to January 1, 1978. 17 U.S.C. § 304(d). Our first inquiry, then, is whether the 1994 Agreement terminated and superseded the 1938 Agreement. We conclude that it did, leaving in effect no pre-1978 grants to which the termination rights provided by section 304(d) could be applied.

*Steinbeck*, Pet.App.11a.

The court saw "no valid reason to disregard" the "cancel and supersede" language of the 1994 Agreement, which, it was undisputed, validly terminated the 1938 Agreement under New York law. The court rejected Petitioners' contention that Elaine and Penguin, as parties to the 1994 Agreement, intended to "preserve" termination rights. More fundamentally, the court rejected the notion that statutory rights can be created or preserved by contract:

[O]ur central inquiry is not the parties' intent to preserve these rights—which are granted by statute, not contract—but rather their intent to terminate the 1938 Agreement. The availability of termination rights under the Copyright Act is not dependent on the intent of the parties but on, among other things, the date that a grant of rights was executed....

Pet.App.13a.

The court addressed and rejected Petitioners' argument that Section 304(c)(6)(D), which controls the timing of a new grant when a statutory termination notice has been served, (1) also applies when a grant is contractually terminated, and (2) requires in every case a "moment of freedom" from the previous grant before a new grant may be made. As the court noted, Section 304(c)(6)(D) requires no "moment of freedom" from an old grant that has been *statutorily* terminated, for a new grant to the original grantee may be executed any time after a termination notice has been served.

Most importantly, nothing in Section 304(c)(6)(D) prevents an author or author's heirs from contractually renegotiating a prior grant "while wielding the threat of termination," the court found. "Indeed, this kind of renegotiation appears to be exactly what was intended by Congress." Pet.App.15a.

The court rejected the unprecedented "effect test":

We do not read the phrase “agreement to the contrary” so broadly that it would include any agreement that has the effect of eliminating a termination right.

*Id.* at 16a. Such a reading “would negate the effect of other provisions of the Copyright Act that explicitly contemplate the loss of termination rights,” most conspicuously the provision that the right can be exercised only if a majority of interested parties agrees to exercise it. If the holders of a majority—or indeed, half—of an author’s termination interest agreed not to terminate, that agreement would effectively deprive the others of a right to terminate, but could not be held ineffective as an “agreement to the contrary” by virtue of having that effect, the court held. *Ibid.*

Nor could the 1994 Agreement be an “agreement to the contrary” because it had “the effect of eliminating termination rights that did not yet exist.” Petitioners could not have exercised termination rights under Section 304(c) in 1994 because they lacked more than one-half of the author’s termination interest. Accordingly, the 1994 Agreement did not deprive Petitioners of any rights they could have realized then; and the termination right under Section 304(d) would not be created for another four years. Pet.App.17a.

The court found no suggestion in the statute or the legislative history that contractual termination of a pre-1978 grant is prohibited or undesirable. Indeed,

the Second Circuit in *Steinbeck*, like the Ninth Circuit in *Milne*, relied on Congress's instructions that

nothing in [the Copyright Act] is intended to change the existing state of the law of contracts concerning the circumstances in which an author may cancel or terminate a license, transfer, or assignment.

and that the

"parties to a transfer or license" would retain under the termination provisions the right and ability to "voluntarily agree[] at any time to terminate an existing grant and negotiat[e] a new one."

Pet.App.18a-19a (quoting House Report 128, 127); see also House Report 142.

And Congress, the court noted, did not manifest any intent that a lapsed or revoked pre-1978 grant should survive or be revived "simply for purposes of exercising a termination right in the future." Pet.App.19a. The court cited the functionally identical "post-1978 agreement superseding pre-1978 agreement" in *Milne* as "the type expressly contemplated and endorsed by Congress because it enabled an author's statutory heirs to renegotiate the terms of an original grant with full knowledge of the market value of the works at issue." *Ibid*.

Under the Second Circuit's holding,

statutory heirs holding termination rights are still left with an opportunity to threaten

(or to make good on a threat) to exercise termination rights and extract more favorable terms from early grants of an author's copyright. But nothing in the statute suggests that an author or an author's statutory heirs are entitled to more than one opportunity, between them, to use termination rights to enhance their bargaining power or to exercise them.

Pet.App.20a (citing 17 U.S.C. § 304(d) (permitting exercise of termination right only "where the author or owner of the termination right has not previously exercised such termination right")). In sum, the Second Circuit, following the Ninth Circuit, held:

It is no violation of the Copyright Act to execute a renegotiated contract where the Act gives the original copyright owner's statutory heirs the opportunity and incentive to do so.

*Ibid.* (citing *Milne*, 430 F.3d at 1046).

The Second Circuit distinguished its holding (and *Milne's*) from the Ninth Circuit's holding in *Mewborn*, noting that the 1978 grant of rights in *Mewborn*, in contrast to the 1994 Agreement in *Steinbeck* (and the 1983 agreement in *Milne*), was made years before termination rights could have been exercised. Pet.App.20a. More significantly, in *Mewborn* "[n]either party intended to revoke and replace (or even modify) a 1976 grant of rights," *ibid.* (quoting *Mewborn*, 532 F.3d at 989)—a crucial distinction from *Steinbeck* and *Milne*, in each of which the parties intended to, could and did validly "cancel and

supersede" (*Steinbeck*) or "revoke" (*Milne*) the pre-1978 grants, as a necessary step in obtaining a new and better deal for the works involved.

Petitioners' requests for rehearing and for rehearing *en banc* were denied. Pet.App.40a-41a.

## REASONS FOR DENYING THE PETITION

### I. THERE IS NO CIRCUIT CONFLICT

Before *Steinbeck*, the Ninth Circuit, the first circuit to consider the issue, affirmed the validity of a post-1978 agreement that is materially indistinguishable from the 1994 Agreement. *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006). The Second Circuit in *Steinbeck* reached the same result using the same reasoning, aligning the two circuits.

*Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008), did not and could not overrule or limit *Milne*, as Petitioners imply.<sup>7</sup> *Mewborn* did not involve the issue presented, and decided identically, in *Milne* and *Steinbeck*: whether an author's heir's contractual revocation of a pre-1978 grant, and new grant for

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<sup>7</sup> "Once a panel resolves an issue in a precedential opinion, the matter is deemed resolved, unless overruled by the court itself sitting *en banc*, or by the Supreme Court. [A] later three-judge panel ... has no choice but to apply the earlier-adopted rule; it may not any more disregard the earlier panel's opinion than it may disregard a ruling of the Supreme Court." *Hart v. Massanari*, 266 F.3d 1155, 1171 (9th Cir. 2001).



better consideration, are a viable, Congressionally-endorsed alternative to statutory termination to achieve the goals of termination. Because the *Mewborn* pre-1978 grant was not revoked, it remained subject to Section 304(c) termination.

The Second Circuit's rejection of the "effect test" does not conflict with *Mewborn*. Neither *Mewborn* nor any court other than the *Steinbeck* district court has applied the "effect test." *Mewborn* determined that Winifred Mewborn's 1978 grant of rights, if it were construed as a "transfer" of her own newly-created termination right, would be an "agreement to the contrary." That holding is entirely in accord with *Steinbeck*, *Marvel*, and *Milne*.

#### **A. *Milne v. Stephen Slesinger, Inc.***

*Milne* addressed the question:

Should [a post-1978 express contractual revocation and new grant of rights] be treated as a pre-1978 agreement to be governed by the [CTEA's] termination provisions of 17 U.S.C. § 304?

430 F.3d at 1041. The court answered no, noting that "[a]lthough Christopher [Milne] presumably could have served a termination notice, he elected instead to use his leverage to obtain a better deal for the Pooh Properties Trust." *Id.* at 1045. The better deal, and the way Christopher Milne obtained it, were "expressly contemplated and endorsed by Congress." *Id.* at 1046.

In 1930, A.A. Milne entered into an agreement granting Slesinger certain rights in the "Pooh" works "for and during the respective periods of copyright and of any renewal thereof." In 1983, Milne's son Christopher, then the sole copyright owner, entered into a new agreement that revoked the 1930 grant and re-granted rights in the "Pooh" works to Slesinger for substantially enhanced consideration. In 2002, Clare Milne, A.A. Milne's granddaughter, served Slesinger with a notice of termination seeking to recapture rights in the works under Section 304(d).

The district court found, and the Ninth Circuit affirmed, that the termination notice was invalid because "the only pre-1978 grant of rights"—the grant in the 1930 Agreement—"was terminated ... upon the execution of the 1983 agreement...." Accordingly, "there was no pre-1978 grant of rights ... in existence when Congress enacted the CTEA in 1998." Milne could not terminate the grant in the 1983 Agreement "because it was not 'executed before January 1, 1978,' as the statute expressly requires." *Id.*

The court affirmed that a post-1978 contractual revocation and re-grant of rights was not an "agreement to the contrary." Neither the statute nor the legislative history supported Milne's position that the 1983 Agreement was such an "agreement to the contrary." Instead, the 1983 Agreement was of "the type expressly contemplated and endorsed by Congress," which "explicitly endorsed the continued right of 'parties to a transfer or license' to 'voluntarily

agree[] at any time to terminate an existing grant and negotiat[e] a new one.’” *Id.* at 1045 (quoting House Report at 127).

The court rejected Milne’s claim “that judicial recognition of the 1983 agreement ‘would provide a blueprint by which publishers could effectively eliminate an author’s termination right,’” *id.* at 1046 (citation omitted). The new agreement did not “eliminate” a termination right; to the contrary, it “resulted in an increased royalty stream to the author’s heirs—the very result envisioned by Congress when it enacted the termination provisions.” *Id.* at 1047. Congress, the court held, *intended* for “an author’s heirs to use the increased bargaining power conferred by the imminent threat of statutory termination to enter into new, more advantageous grants.” *Id.* at 1046.

Milne’s requests for rehearing and for rehearing *en banc*, and petition for certiorari, were denied.

### **B. *Classic Media, Inc. v. Mewborn***

*Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008), involved rights in the “Lassie” books written by Eric Knight in the 1930s. Winifred Mewborn, the declaratory defendant, was one of Knight’s three daughters. In 1976 Mewborn assigned her share of the movie, television, and radio rights in the Lassie works to plaintiff’s predecessor. The grantee had difficulty obtaining agreements from Mewborn’s sisters, and did not obtain them until March 1978. It

then approached Mewborn for her signature on a second agreement, which contained a grant of movie, television, and radio rights identical to that in the 1976 agreement, but did not cancel the earlier grant. It also granted certain ancillary rights that had not been conveyed in the prior agreement. Mewborn executed the 1978 grant.

In 1996, Mewborn served a termination notice under Section 304(c), resulting in litigation over whether there was any pre-1978 grant to be terminated. Mewborn argued, and the Ninth Circuit found, that the case was distinguishable from *Milne* because Mewborn, unlike Christopher Milne, did *not* revoke the 1976 (i.e., pre-1978) agreement, which accordingly remained in effect. Mewborn, moreover, was not relinquishing a known termination right when she executed the 1978 document, and did not have any termination right at the time, because Mewborn's right to serve a termination notice under Section 304(c) would not vest until six years later. Thus, when she made the 1978 agreement she "had nothing in hand with which to bargain." 532 F.3d at 989.

The Ninth Circuit distinguished these facts from the situation in *Milne*, and concluded that "the 1996 termination notice was effective, [and] any rights assigned ... by the 1976 assignment reverted to Mewborn as of the effective termination date." *Id.* at 990. However, Mewborn's "post-1978" grant of ancillary rights was unaffected by the termination notice, which could affect "only transfers made before the

effective date of the Act, January 1, 1978," *id.* at 989—consistent with *Milne* and *Steinbeck*.<sup>8</sup>

### C. *Mewborn* Does Not Create Disharmony Between the Circuits

Petitioners' argument that the Second Circuit's *Steinbeck* decision "squarely conflicts" with *Mewborn*, Pet.11, is mistaken.<sup>9</sup> The manufactured "conflict" turns on another misstatement: that *Mewborn* "confined the holding in *Milne* to [its] facts." Pet.22. *Mewborn* distinguished *Milne*; it could not and did not limit, confine or overrule it.<sup>10</sup>

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<sup>8</sup> The assignments of movie, television, and radio rights by Eric Knight's other statutory heirs, *Mewborn's* sisters, were executed shortly after the bright line of January 1, 1978. Those post-1978 grants by persons other than the author are likewise not terminable under either Section 304 or 203.

<sup>9</sup> *Amicus* David Nimmer, when he was Counsel of Record for the Petitioners in *Milne*, argued that "the district court's decision in *Steinbeck* shows that the Ninth and Second Circuits are in conflict," *Milne v. Stephen Slesinger, Inc.*, Supplemental Brief for the Petitioner, 2006 WL 1675076, on the assumption that the district court's opinion would be affirmed. The same erroneous assumption is the basis for the "emerging split" in the title of the 2007 student note relied on by Petitioners. Pet.11. The Second Circuit has reversed the district court in *Steinbeck*, aligning the Second Circuit with the Ninth, which has not overruled *Milne*—but Petitioners and *amici* persist in attempting to conjure an illusory conflict from decisions that are in harmony.

<sup>10</sup> If Petitioners contend that there is tension between *Mewborn* and *Milne*, any such internal tension would be a  
(Continued on following page)

In any event, the material facts of *Milne* are indistinguishable from those of *Steinbeck*, while *Mewborn* does not address the issue *Milne* and *Steinbeck* resolve: a pre-1978 agreement that was contractually revoked, and replaced by a post-1978 grant. As the Ninth Circuit found, "the circumstances [in *Mewborn*] are not even close to those in *Milne*." 532 F.3d at 989. In *Mewborn* the grant executed "prior to January 1, 1978" *survived*, and the Section 304(c) termination notice was applicable to it.<sup>11</sup>

The factors that distinguished *Mewborn* from *Milne* are absent here. The key distinction is that *Mewborn*'s post-1978 assignment "did not substitute for or revoke the 1976 Assignment," which "remained intact" under applicable contract law. *Id.* at 982, 986. *Mewborn* thus differs dispositively from *Milne* and *Steinbeck*, in each of which all pre-1978 grants had been validly revoked, and no such grant "remained intact," when Congress created the termination right under Section 304(d), applicable only to pre-1978 grants.

The further distinction that "Mewborn in 1978 did not ... have the right to serve [a] notice of termination[, while] the heir in *Milne* had the present right

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matter for the Ninth Circuit, not this Court, to resolve. See *Wisniewski v. United States*, 353 U.S. 901, 902 (1957).

<sup>11</sup> *Mewborn*, like *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774 (2d Cir. 1992), hinges largely on the unremarkable principle that a copyright owner cannot convey the same rights twice.



... and could exercise it at any moment," *id.* at 987, applies equally here. Elaine Steinbeck, like Christopher Milne, could have exercised termination rights as to six of the ten Early Works when she made the 1994 Agreement. Pet.App.9a. That ability gave her the leverage to achieve by contract a result equivalent or superior to statutory termination, as Congress intended.

In *Mewborn*, moreover, the Ninth Circuit achieved a result consistent with the author's presumed testamentary intent. 532 F.3d at 990. Here Petitioners would effectively *nullify* the will of John Steinbeck, who as author is "the fundamental beneficiary of copyright under the Constitution." *Id.* at 984.

In *Mewborn* the plaintiff argued, and the district court found, that Mewborn's 1978 Assignment "g[a]ve away" her "newly acquired § 304(c) right to terminate...." *Id.* at 982. The Ninth Circuit, reversing, held that "such an assignment would be void as an 'agreement to the contrary' pursuant to § 304(c)(5)." *Id.* at 986. That holding is undoubtedly correct; such an advance alienation of a party's own termination right would be a paradigmatic "agreement to the contrary." *Cf. Marvel*, 310 F.3d at 284; *Fred Fisher*, 318 U.S. at 656-59. *Mewborn* does not apply and offers no support for the "effect test," under which the rightful and lawful, Congressionally-endorsed undertakings of *others* are retroactively voided if their "effect" is that a right under later-enacted Section 304(d) never comes into existence for Petitioners.

Petitioners' claims that "*Steinbeck* is indistinguishable from *Mewborn*," and in conflict with it, Pct.15, are groundless.

## **II. THE SECOND CIRCUIT'S DECISION IS CORRECT UNDER THE PLAIN MEANING OF THE STATUTORY TEXT, THE LEGISLATIVE HISTORY, AND THE POLICY UNDERLYING THE TERMINATION PROVISIONS**

### **A. The Valid 1994 Agreement Left No Pre-1978 Grant to Terminate**

In 1982 Professor Melville Nimmer, in an opinion letter furnished to the parties to the *Milne* 1983 Agreement, endorsed contractual rescission and regrant as a viable alternative to statutory termination: "it is under the state ... law of contracts that such a rescission would occur," Nimmer wrote; and "if the [pre-1978] agreements are effectively rescinded, there is simply no transfer as to which the termination could apply under the terms of Section 304(c)." ADD-47-49.

The Ninth Circuit in *Milne*, and the Second Circuit in this case, confirmed that Professor Nimmer was correct. Petitioners' Termination Notice purported to terminate, under Section 304(d), "grants made ... before January 1, 1978 in the [Early Works]." A-149. But because the 1938 Agreement and all previous agreements for the Early Works were effectively rescinded, and a new grant executed in 1994,

under New York law, there was no pre-1978 grant to which a Section 304(d) termination right could apply when the right was created in 1998.

### **B. The Second Circuit Correctly Rejected Petitioners' "Effect Test"**

The Second Circuit rightly declined to read "agreement to the contrary" so broadly that it would include any agreement that has the effect of eliminating a termination right." Pet.App.16a. Congress did *not* intend to "void any contract the effect of which is in contravention of or which negates ... termination rights," Pet.App.26a, as the statute and the legislative history show.

As a matter of statutory construction, the "effect test" is untenable. Congress legislated a termination right with numerous conditions and built-in exceptions, the most conspicuous of which is the "majority rule" provision of Section 304(c)(1), which requires a majority of the persons owning a deceased author's termination right to consent in order to effect termination. Even a tie does not permit termination, and there is no provision for the rights of a minority—or even a 50% interest—of statutory heirs who wish to terminate. In so structuring the statute, Congress clearly intended that there would be heirs with termination rights who would be unable to exercise them. *See* Pet.App.16a.

The statute denies termination rights in numerous other circumstances. The termination right under

Section 203 excepts pre-1978 transfers, and all transfers by persons other than the author. Section 304 excludes post-1978 transfers. The statute excludes any "work made for hire"; thus, no termination right will ever exist for the human author of a work for hire, or that author's heirs. Under Section 304(c)(6)(E), statutory termination "affects only those rights ... that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws." Accordingly, heirs of authors who granted only foreign publishing rights in their works are foreclosed from termination rights.

Section 304(d) excludes works for which the termination right under Section 304(c) had not expired by October 27, 1998, the effective date of the CTEA, and works as to which the Section 304(c) right had been exercised. Those limitations exclude numerous statutory heirs from termination rights. And if a pre-1978 transfer agreement "provides an earlier termination date or lesser duration," House Report 142, and has expired by its own terms, no statutory heir can terminate the expired pre-1978 grant.

Each of those circumstances meets the "effect test" urged by Petitioners, for its "effect" would contravene termination rights. But to apply the "effect test" to permit the exercise of termination rights under those circumstances, or the circumstances here and in *Milne*, would be to allow one statutory provision, Section 304(c)(5), to negate or render superfluous numerous others, violating the relevant canons

of statutory construction. *Hibbs v. Winn*, 542 U.S. 88, 101 (2004).

Petitioners' citation of *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002), implies that the circuit court misconstrued its own precedent. *Marvel* does not support the "effect test." *Marvel* held that a publisher could not rely on a *post facto* work-for-hire agreement because the determination whether a work is "for hire" is based on the parties' "actual relationship" when the work is created, not on their contractual stipulation years later. 310 F.3d at 291. Works not meeting the "for-hire" test remain what they are, notwithstanding a later agreement labeling them something else. *Ibid.*

*Marvel* held that the meaning and scope of "any agreement to the contrary" are not clear from the text, *id.* at 290, so that it is "necessary to go beyond the mere text and consider the legislative intent and purpose of § 304(c) to ascertain the statute's meaning." The court concluded, based on the legislative history, that "Congress included the 'notwithstanding any agreement to the contrary' language in the termination provision *precisely to avoid the result wrought by the Fred Fisher decision*," *id.* at 291, by "prevent[ing] authors from waiving *their* termination right by contract," *id.* at 290 (emphasis added).

*Marvel* did not hold that the settlement agreement was an "agreement to the contrary," and did not hold that Simon's grant to Marvel was subject to termination. Far from endorsing the "effect test," the

court remanded for trial on the issue of whether *Captain America* was actually made for hire. *Id.* at 291-92. If the work-for-hire test was met, the grant would not be subject to termination under Section 304(c). *Id.* at 292.

Only if the parties agreed that *Captain America* was a work for hire, and in fact it was not, would their agreement qualify as an "agreement to the contrary." By signing a sham work-for-hire agreement, Simon would have effectively contracted away his own termination right, making a true "agreement to the contrary" under Section 304(c)(5).

There is no circuit conflict, or even tension, concerning *Marvel*. The Second Circuit in *Marvel*, and the Ninth Circuit in *Mewborn*, found that one type of agreement, a party's contractual transfer or waiver of her own termination right, could constitute an "agreement to the contrary"; in *Steinbeck* and in *Milne* the same courts found that an entirely different type of agreement did not. No panel in either circuit has applied Petitioners' "effect test."

### **C. Petitioners' Misinterpretation of "Inalienability"**

As support for their "effect test," Petitioners and *amici* rely on *dicta* referring to termination rights as inalienable, implying that *Mewborn* and *Steinbeck* conflict with respect to "inalienability." Pet.13. However, *Steinbeck* refers no less conspicuously than *Mewborn* to the "inalienable right to terminate."



Pet.App.7a. Congress made termination rights “inalienable” within its plain meaning: “the characteristic of those things which cannot be bought, sold or transferred from one person to another.” Black’s Law Dictionary (8th ed. 2004); see Terrance McConnell, *Inalienable Rights: The Limits of Consent in Medicine and the Law* 12 (2000) (“an inalienable right is one that may never be waived or transferred by its possessor.”); 17 U.S.C. § 101 (definition of “transfer of copyright ownership” includes “alienation”). Petitioners stated as an undisputed material fact, and the district court found, that they had never transferred or waived termination rights. Pet.App.33a-34a.

Petitioners misinterpret “inalienable” as “automatic.” The “*Fred Fisher* problem,” however, was not the lack of an automatic mechanism to vest renewal rights in authors. The problem arose when this Court held that authors’ advance transfers of their own renewal-term rights were enforceable. The legislative history confirms that Section 304(c)(5) is intended specifically to obviate the “*Fred Fisher* problem” by making termination rights “inalienable” in the proper sense: “the right to take this action cannot be waived in advance or contracted away.” House Report 125; Senate Report 108; *Marvel*, 310 F.3d at 290.

The true meaning of “inalienable” is congruent with “[t]he clear Congressional purpose behind § 304(c)[:] to prevent authors from waiving their termination right by contract,” *ibid.*, and with the intended meaning of “agreement to the contrary”: an agreement by a terminating party to waive or

transfer—alienate—his or her otherwise valid termination rights. The agreements in *Marvel* and *Mew-born* fit within that definition; the agreements in *Milne* and *Steinbeck* do not. There is no conflict.

#### **D. Termination Here Would Effectively Nullify the Statute's Exemption of Grants By Will**

Fundamentally, Petitioners' grievance is with John Steinbeck, and his choice to leave the renewal copyrights in his Early Works to his wife and not to Petitioners. John Steinbeck made a valid bequest of the copyrights to Elaine Steinbeck by will. That transfer of copyright ownership by John Steinbeck to his wife cannot be terminated. 17 U.S.C. § 304(c) (permitting termination of certain grants "otherwise than by will"). Because the transfer by will from John to Elaine Steinbeck is statutorily exempt from termination, Elaine Steinbeck's subsequent dispositions of rights under the copyrights must also be exempt, or the will exemption is nullified, and John Steinbeck's will rewritten.

Elaine Steinbeck, as sole copyright owner of the Early Works, had the unencumbered right to enter into contracts relating to those rights, including the right to revoke the 1938 Agreement and make a more lucrative grant of rights. See Paul Goldstein, *Copyright* § 4.10, at 4:93 (2d ed., 2004 Supp.) ("copyright contract rules are grounded in the principle of freedom of contract."). A finding that the author's widow

and copyright heir lacks such capacity would not only disregard the author's last wishes; it would make the statute's exemption of transfers "by will" meaningless. Such an interpretation, wresting from authors control over the disposition of their works, would also be constitutionally infirm. *See, e.g., Pierre Leval & Lewis Liman, Are Copyrights for Authors or Their Children?*, 39 J. Copyright Soc'y USA 1, 9, 16 (1991).

### **E. Petitioners' Position Would Require Judicial Legislation of a Fourth Termination Right**

All three termination provisions in the Copyright Act—Sections 203, 304(c) and 304(d)—are structured around a bright line of January 1, 1978. House Report 125 ("Under section 203(a) the right of termination would apply only to transfers and licenses executed after the effective date of the new statute, and would have no retroactive effect."); Curtis, *supra*, at 799 ("the legislative history indicates that the drafters ... acted deliberately in choosing a cut-off date for section 304(c)"). Petitioners contend in effect that Congress deliberately chose a cut-off date, but intended that it not apply. Petitioners ask the Court to legislate a new category that would erase the cut-off date and create a hybrid: a pre-1978 agreement that has been revoked and replaced by a post-1978 agreement, with the revocation and new agreement to be retroactively voided, and the old agreement revived, if ever a statutory heir wishes to terminate it.

Petitioners' position is contrary to the legislative history and the statute itself.

**F. Petitioners' Position Would Create Disincentives to Enhanced Author Compensation**

The result Petitioners seek would be to the detriment of authors' and heirs' ability to achieve the central objective of termination: a chance to renegotiate copyright grants for improved compensation, from a bargaining position at least equal to the grantee's. Eliminating authors' and heirs' freedom to "cancel or terminate a license, transfer, or assignment" contractually, against Congress's express direction, House Report 128, 142; Senate Report 111, 125, would disturb the Congressional balance among the copyright interests of authors and grantees, substantially to the advantage of grantees, creating disincentives to enhanced compensation.

Eliminating contractual termination from the arsenal of authors and heirs would benefit many grantees, for whom the prolonged, protected process of statutory termination may be far preferable. Statutory protection for original grantees under Section 304(c)(6)(D) includes a "right of first refusal" in the original grantee's favor that runs from when a statutory termination notice is served until the effective date of termination. House Report 127; see *Milne*, 430 F.3d at 1047-48 (noting that Section 304(c)(6)(D) "was not intended to protect the author or his heirs, but

was instead intended to protect licensees” and was “intended to give the original grantee a competitive advantage”).

The rule Petitioners would impose—that grants “executed before January 1, 1978” may not be terminated contractually, but must remain in effect or suspense until Section 304 termination rights are exercised or expire—would disadvantage many more authors and heirs than it would help, for no publisher will offer the substantially enhanced compensation seen in this case and in *Milne* for grants of rights that would always be vulnerable to termination.

## CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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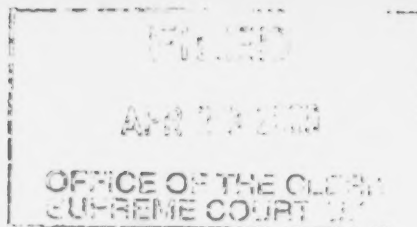
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April 17, 2009

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No. 08-1039

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IN THE  
**Supreme Court of the United States**

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THOMAS STEINBECK AND BLAKE SMYLE,  
*Petitioners,*

v.

PENGUIN GROUP (USA) INC., ET AL.,  
*Respondents.*

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**On Petition For A Writ Of Certiorari  
To The United States Court Of Appeals  
For The Second Circuit**

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**REPLY BRIEF FOR PETITIONERS**

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## REPLY BRIEF FOR PETITIONERS

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In 72 pages of opposition briefing, respondents never once dispute that the question presented by the petition is recurring and exceptionally important both to publishers and to creative artists and their families—points that are amply illustrated by the *amicus* brief of the Songwriters Guild of America and several other associations of creative artists. Nor do respondents dispute that, if the decision below is left undisturbed, publishers—with “their superior bargaining power,” Estate BIO 25—will have at their disposal a powerful mechanism to prevent authors and their families from exercising their statutory termination rights to recapture the value of extended copyright terms. Respondents assert, however, that the issue remains unworthy of this Court’s review because the decisions of the courts of appeals supposedly are “in harmony.” Penguin BIO 1. This is true only in the sense that the Second and Ninth Circuits, when confronted with the question presented by the petition, have sounded very different notes.

Respondents never acknowledge the Ninth Circuit’s straightforward framing of the issue decided in *Classic Media, Inc. v. Mewborn*: “whether the [Copyright] Act’s termination of transfer right . . . can be extinguished by a post-1978 re-grant of the very rights previously assigned before 1978.” 532 F.3d 978, 979 (9th Cir. 2008). That issue is the same question this case presents, which is undoubtedly why *Mewborn* relied so heavily on the district court’s now-vacated decision below to hold that termination rights under the Copyright Act cannot be extinguished by a copyright holder’s agreement to re-

grant previously transferred rights. *Id.* at 986 (quoting Pet. App. 33a & n.23).

Respondents attempt to paper over the conflict with *Mewborn* by pointing to a different Ninth Circuit decision—*Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005)—that they believe is consistent with the decision below. But *Mewborn* itself explained that *Milne* involved a “*sui generis* . . . agreement” that operated as a *de facto* termination “tantamount to following the statutory formalities.” 532 F.3d at 983 n.2, 987.

Elaine Steinbeck’s 1994 agreement with Penguin was not a “*sui generis*” substitute for statutory termination. As the Estate Respondents acknowledge (at 8), by the time Elaine entered into the 1994 agreement, the termination window had already closed with respect to John Steinbeck’s three oldest works, and she was powerless to exercise termination rights with respect to any other work without the cooperation of Thom Steinbeck or Blake Smyle. And, of course, if Thom or Blake had joined with Elaine to exercise termination rights over those works for which the termination window had not already closed, 50 percent of the previously transferred rights in those works would have reverted to Thom and Blake as John Steinbeck’s statutory heirs. See 17 U.S.C. § 304(c)(6). That is a result Elaine obviously was reluctant to invite. So, rather than terminate John’s 1938 assignment agreement, she joined with Penguin in an effort to cut off the termination rights Congress conferred on Thom and Blake through the artifice of a post-1978 re-grant of the rights to publish the same ten works that John Steinbeck transferred to Penguin’s predecessor.

The question presented in this case is whether such a re-grant of previously transferred rights that is *not* "tantamount to following the statutory formalities" suffices to cut off the termination rights of an author or his statutory heirs. *Mewborn*—not *Milne*—confronted that question, and the Ninth Circuit resolved that vitally important issue differently from the Second Circuit. This Court's review is warranted.

**I. THE CIRCUITS ARE DIVIDED ON WHETHER THE COPYRIGHT ACT'S TERMINATION RIGHT CAN BE EXTINGUISHED BY RE-GRANTING PREVIOUS TRANSFERS.**

Respondents attempt to obscure the conflict between the Second and Ninth Circuits by cabining the Ninth Circuit's holding in *Mewborn* and transforming *Milne*'s narrow decision into a sweeping rule. See Estate BIO 16–24; Penguin BIO 24–32. According to respondents, *Milne* holds that a publisher can *always* extinguish termination rights by convincing the author or his heirs to sign a replacement agreement that re-grants the relevant rights. On their view, "*Mewborn* is simply an instance where the same rule of decision [used in *Milne*] was applied to different facts, resulting in a different outcome" because the replacement agreement did not purport to revoke the earlier one. Estate BIO 19; *see also* Penguin BIO 30 ("*Mewborn* does not address the issue *Milne* and *Steinbeck* resolve."). This tortured reading of the Ninth Circuit's cases does not withstand scrutiny.

1. In *Milne*, the Ninth Circuit held that the revocation and re-granting of an existing transfer can in some circumstances be "tantamount to following the statutory formalities" for termination. *Mewborn*, 532 F.3d at 987. Because an artist and his

family may exercise their termination right under Section 304 only once, the *de facto* termination in *Milne* prevented Clare Milne from seeking any further termination. Thus, the “sui generis . . . agreement” in *Milne* (*Mewborn*, 532 F.3d at 983 n.2) stands within the Ninth Circuit as a narrow exception to the rule that “agreement[s] to the contrary” cannot extinguish termination rights.

Whatever the merits of this judicially crafted exception to Section 304(c)(5)’s clear statutory language, there could have been no *de facto* termination here because, as the Estate Respondents concede, Elaine Steinbeck did not by herself have the power to terminate John Steinbeck’s 1938 grant when she entered into the 1994 agreement. See Estate BIO 8 (explaining that Elaine’s “leverage” was “the possibility that she would *join Steinbeck’s sons or their offspring* in exercising their § 304(c) termination rights” (emphasis added)); see also *id.* at 26 (noting that the termination right was “deadlocked” and could not be exercised “until Elaine passed away”). Indeed, by the time of the 1994 re-grant, the termination window had closed for several of John’s Early Works—making it impossible for Elaine to have obtained by termination what she received through renegotiation. See *ibid.*

Moreover, if Elaine had joined with Thom and Blake in terminating the 1938 agreement, “all rights . . . that were covered by the terminated grant” would have “revert[ed]” to them collectively—not to Elaine alone. 17 U.S.C. § 304(c)(6). Elaine would have retained a 50% interest, but the other 50% would have reverted to Thom and Blake. Thus, far from achieving the same result as the “statutory formalities,” the 1994 agreement subverted them.



2. Perhaps sensing the difficulty in allowing *any* exceptions to the "plain statutory language" of the Copyright Act, *Mewborn*, 532 F.3d at 987, the Ninth Circuit declined in *Mewborn* to expand the *Milne* exception beyond *de facto* terminations. Instead, *Mewborn* confined *Milne* to its "sui generis" facts and held, otherwise, that "a post-1978 re-grant of the very rights previously assigned before 1978" cannot extinguish termination rights. *Id.* at 979–80. That holding squarely conflicts with the Second Circuit's conclusion below that Elaine's post-1978 re-grant extinguished petitioners' termination rights. *See* Pet. App. 15a.

Respondents claim that the decision below does not conflict with *Mewborn* because, unlike Elaine's 1994 agreement, the post-1978 agreement in *Mewborn* did not purport to revoke the earlier transfer otherwise subject to termination. *See* Estate BIO 20; Penguin BIO 30. On respondents' view, *Mewborn*'s post-1978 re-grant of the previously transferred rights would have vitiated her termination rights—the judgment of the district court would have been affirmed rather than reversed—if Classic Media's predecessor-in-interest had inserted language into the post-1978 agreement stating that it cancelled and superseded the pre-1978 transfers. Respondents claim that it is only because *Mewborn*'s post-1978 agreement amended, rather than replaced, the previous transfer that her termination rights survived.

Respondents never explain, however, why it makes any sense—as a matter of federal copyright law—to accord such talismanic significance to parties' contractual intent to rescind and replace a prior agreement. Penguin itself concedes that the "clear Congressional purpose" behind Section 304(c)(5) is "to prevent authors from waiving their termination

right by contract.” Penguin BIO 37 (quoting *Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 290 (2d Cir. 2002)). Respondents leave unanswered the question why Congress—legislating against the background of the *Fred Fisher* fiasco—would allow authors and their statutory heirs to achieve precisely the result it legislated to forestall simply by labeling a post-1978 re-grant of rights as a replacement agreement as opposed to an amendment. This Court does not so lightly ascribe such absurd intentions to Congress. See *W. Air Lines, Inc. v. Bd. of Equalization*, 480 U.S. 123, 133 (1987) (“The illogical results of applying [a proffered] interpretation . . . argue strongly against the conclusion that Congress intended th[o]se results . . .”).

The crucial issue under Section 304(c)(5) is whether the post-1978 agreement would destroy termination rights—and it hardly matters to that inquiry which label the parties attach to their agreement. Yet under the conflicting approaches adopted by the Second and Ninth Circuits, fundamentally different legal consequences follow from an affirmative answer—the termination right would survive in the latter Circuit but perish in the former. This disagreement warrants this Court’s review.

## II. THE DECISION BELOW IS INCORRECT.

The clear division of authority between the two circuits that are most important on matters of copyright law alone merits this Court’s intervention. Respondents nonetheless urge this Court to deny review because they believe the Second Circuit’s decision is correct. This Court can most appropriately evaluate these arguments by granting certiorari, but respondents are mistaken in any event.

In both Sections 203 and 304, Congress expressly guaranteed that termination rights cannot be extinguished by contract but instead can be exercised "notwithstanding any agreement to the contrary." 17 U.S.C. §§ 203(a)(5), 304(c)(5). This robust protection against *any* contractual end-run around statutory termination rights was deliberate: Congress knew that authors and their families had long been slighted in unfair contracts with powerful publishing companies, and it provided that the new termination rights could be exercised "notwithstanding any agreement to the contrary" to "prevent authors from waiving their termination right by contract." *Marvel Characters*, 310 F.3d at 290, *quoted in* Penguin BIO 35. Yet, that is precisely the result that the Second Circuit permitted in this case by treating Elaine Steinbeck's 1994 agreement with Penguin as extinguishing her and petitioners' termination rights. As in *Marvel Characters*, by "effectively contract[ing] away" termination rights, Elaine "ma[de] a true 'agreement to the contrary' under Section 304(c)(5)." Penguin BIO 36.

Respondents do not attempt to harmonize the decision below with the statute's plain language or conceded purpose. They instead suggest that the statutory language cannot mean what it says because the legislative history reflects that "the termination provision 'would not prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one.'" Penguin BIO 10 (quoting House and Senate Reports); *see also* Estate BIO 29 n.11 (same). According the statutory language its plain meaning, respondents complain, would "lock copyright holders into pre-1978 agreements until the termination rights could be formally exercised." Estate BIO 26.

This is a non sequitur. Nothing in the termination provisions prohibits parties from renegotiating existing grants.

Parties to a transfer or license of copyright may renegotiate those existing grants as often as they wish. For instance, an author may negotiate improved royalties for existing grants in exchange for granting rights in a new work. What the statute prohibits is publishers using such a renegotiation to get an author or his heirs to forfeit their statutory termination rights to capture the benefits of Congress's extensions of copyright terms. See Penguin BIO 37 ("[T]he right to take this action [*i.e.*, termination] cannot be waived in advance or contracted away." (quoting House and Senate Reports)). Indeed, Penguin concedes that "an advance alienation of a party's own termination right would be a paradigmatic 'agreement to the contrary.'" Penguin BIO 31. Yet this is precisely what Elaine did: "Penguin was agreeing to more generous payment terms in exchange for Elaine's decision to refrain from serving termination notices," Estate BIO 28.<sup>1</sup>

Penguin also attempts to reconcile the decision below with the statutory text by defining an "agreement to the contrary" as "an agreement *by a terminating party* to waive or transfer—alienate—his or her otherwise valid termination rights." Penguin BIO 37–38 (emphasis added). This narrow interpre-

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<sup>1</sup> The 1994 agreement was executed before the copyright term extension from 75 to 95 years, and thus Penguin (and Elaine) could reasonably have anticipated benefits only for the remainder of the 75-year term. By seeking to preclude petitioners from securing the benefits of the 20-year extended term, Penguin is attempting to obtain far more than the benefit of its bargain.

tation does not save the Second Circuit's decision, which would treat the 1994 agreement as eliminating Elaine's *own* termination rights along with petitioners'. Nor can Penguin's definition be squared with the statute's text: The statute prohibits *any* contractual end-run around termination, including—as here—Elaine's effort to deprive petitioners of their statutory rights by re-granting the relevant copy-right interests.

The decision below conflicts with the plain text, history, and context of the Copyright Act. This Court should grant certiorari to correct the Second Circuit's erroneous ruling.

**III. THIS CASE PRESENTS A STRAIGHTFORWARD QUESTION OF STATUTORY INTERPRETATION AND IS AN IDEAL VEHICLE TO RESOLVE THAT QUESTION.**

Penguin does not contest that this case presents a pure question of federal law regarding the proper interpretation of the Copyright Act and that it is an ideal vehicle to resolve the question presented. The Estate Respondents contend, however, that this Court's review is unwarranted because (1) "at most, the petition raises fact-bound questions concerning a particular contract," and (2) this case "is a poor vehicle for interpreting § 304's termination provisions." Estate BIO 27, 30. Both arguments lack merit.

1. The Estate Respondents claim that the decision below answered only a "fundamentally . . . fact-bound question concerning a particular contract, not a broad question of statutory interpretation warranting this Court's review." Estate BIO 27. This would come as news to the Second Circuit, which devoted much of its opinion to interpreting (incorrectly) the



phrase “agreement to the contrary” in Section 304(c)(5). See Pet. App. 15a–20a.

The Estate Respondents apparently misunderstand petitioners’ argument. They claim that petitioners argue, “as a matter of contract interpretation,” that “the Second Circuit erred in concluding that the 1994 Agreement revoked the 1938 Agreement and the termination rights that went with it.” Estate BIO 27 (emphasis added). Having characterized the relevant dispute as mere “contract interpretation,” *id.* at 27–28, the Estate Respondents urge the Court to deny review of this supposed “state law” issue, *id.* at 29 n.11.

This is a straw man. Petitioners do not argue in this Court that the Second Circuit “misinterpreted the 1994 Agreement,” Estate BIO 28, or quarrel with its conclusion that, under New York contract law, the language of the 1994 agreement reflected an intent to rescind the 1938 Agreement, Pet. App. 4a. None of petitioners’ arguments depends on the resolution of any factual or state-law issues.

Rather, the issue is whether the Copyright Act permits a publisher to destroy statutory heirs’ termination rights by entering into an agreement to rescind a pre-1978 transfer and replace it with a post-1978 transfer of the same rights. Petitioners’ argument that Section 304(c)(5) bars any attempt to extinguish statutory termination rights by re-granting previous transfers raises a pure question of federal statutory interpretation that has divided the Second and Ninth Circuits. This case is an excellent vehicle to resolve that disagreement.

2. The Estate Respondents—now misleadingly labeling themselves a “factio[n] of the Steinbeck family”—also suggest that this case is a poor vehicle be-



cause it implicates "rights inherited by will, which cannot be terminated." Estate BIO 31. They accuse petitioners of attempting to use "termination notices to nullify an author's will [and] re-allocate copyright ownership within an author's family." *Ibid.*; see also Penguin BIO 31, 38 (asserting that petitioners would cause "Steinbeck's will [to be] rewritten" or "nullif[ied]").

This is pure misdirection; John Steinbeck's will is completely irrelevant to the case before the Court. As the district court below explained, by the time John Steinbeck died in 1968, he had already transferred to Penguin "the 'sole and exclusive right' to publish" his early works that are the subject of this case. See Pet. App. 3a. Because one cannot bequeath that which he has already given away, Elaine inherited only the rights in copyright John had not previously assigned to publishers, and John's rights to royalties under those assignment agreements. "Elaine did not inherit any interest in the book publishing rights Steinbeck granted to Penguin in 1938, because Steinbeck did not own those rights when he died." *Id.* at 33a n.22. Thus, respondents' contention that termination rights apply only to transfers made "otherwise than by will" is irrelevant to this case. See *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774, 778 (2d Cir. 1992) (explaining that the "otherwise than by will" limitation on termination is inapplicable where "all rights to which Section 304(c) refers had been transferred . . . by ordinary contract" before the author's death).

Also irrelevant is respondents' full-throated—and entirely self-serving—defense of John Steinbeck's supposed testamentary intent. As the Estate Respondents begrudgingly acknowledge (at 3), Congress accorded certain rights to authors' statutory

heirs, including the right to terminate pre-1978 assignments and recapture the value of extended copyright terms. Thom Steinbeck and Blake Smyle are statutory heirs; the Estate Respondents are not. If the Estate Respondents believe that, by according John Steinbeck's only living child and grandchild opportunity to capture the benefit of the last 20 years of copyright protection for his Early Works, Congress has handed petitioners an unjustifiable "windfall," then they should urge Congress to amend the Copyright Act. But that dissatisfaction with the Copyright Act—the same statutory regime that has rewarded them so richly in the 40 years since John Steinbeck's death—provides no basis for denial of review.

### CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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April 28, 2009

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No. 08-1039

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In The  
**Supreme Court of the United States**

THOMAS STEINBECK and BLAKE SMYLE,

*Petitioners,*

v.

PENGUIN GROUP (USA) INC., et al.,

*Respondents.*

**On Petition For A Writ Of Certiorari  
To The United States Court Of Appeals  
For The Second Circuit**

**BRIEF AMICUS CURIAE OF  
PROFESSORS PETER S. MENELL AND  
DAVID NIMMER IN SUPPORT OF PETITIONERS**

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## INTERESTS OF *AMICI*<sup>1</sup>

Professors Peter S. Menell and David Nimmer submit this brief based on their longstanding academic interest in the sound development of copyright policy and their specific concern with its termination-of-transfer provisions, which underlie this case.

David Nimmer is Professor from Practice at the UCLA School of Law, where he teaches seminars on advanced copyright doctrine. Since 1985, he has authored the updates to *Nimmer on Copyright*. In addition, he writes numerous articles about domestic and international copyright law.

Peter S. Menell is Professor of Law at the University of California at Berkeley School of Law and Director, Berkeley Center for Law & Technology, where he writes and teaches in the field of intellectual property law.

In addition to their independent efforts, Professors Menell and Nimmer often collaborate in the explication of copyright law, most recently in

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<sup>1</sup> The parties have consented to the filing of this brief.

Counsel of record for all parties received notice at least 10 days prior to the due date of the *amici curiae*'s intention to file this brief.

No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the University of California made a monetary contribution to its preparation or submission.

*Unwinding Sony*, 95 Cal. L. Rev. 941 (2007), and *Legal Realism in Action: Indirect Copyright Liability's Continuing Tort Framework and Sony's De Facto Demise*, 55 UCLA L. Rev. 143 (2007). An ongoing aspect of their collaboration has been the termination-of-transfer doctrine of U.S. copyright law. See *Sound Recordings, Works for Hire, and the Termination-of-Transfers Time Bomb*, 49 J. Copyright Soc'y 387 (2001); *Preexisting Confusion in Copyright's Work For Hire Doctrine*, 50 J. Copyright Soc'y 399 (2003).

Apart from scholarly pursuits, Prof. Nimmer served as counsel of record on behalf of Clare Milne, granddaughter of *Winnie-the-Pooh* author A.A. Milne, in a prominent termination-of-transfer copyright case, referenced below in the substance of this brief. See *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006). The termination-of-transfer aspect of that case is over, albeit a contract aspect continues as to other parties in district court; Ms. Milne is not a party to the ongoing case, and Prof. Nimmer is not involved in it. None of the parties to that case have advised, participated, or supported this *amicus* filing.

The authors of this brief have received no compensation for their efforts, from any source. The University of California has kindly defrayed all printing expenses.

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## SUMMARY OF ARGUMENT

For a century, Congress has sought to protect authors and their families by allowing them to grant their copyrights for exploitation and then, decades later, recapture those same rights. After judicial interpretation of the 1909 Act frustrated this intent, Congress spoke unambiguously in 1976: "Termination of the grant may be effected notwithstanding *any* agreement to the contrary. . . ." 17 U.S.C. § 304(c)(5) (emphasis added). Yet, in the case below, the Second Circuit has eviscerated that clear Congressional command by enabling a grantee to renegotiate the terms of the grant so as to frustrate recapture by the author's family. *Penguin Group (USA) Inc. v. Steinbeck*, 537 F.3d 193 (2d Cir. 2008). Notwithstanding the unequivocal meaning of the word "any" in § 304(c)(5), explicated unmistakably in the legislative history, the Second Circuit decision invites grantees to engage in all manner of opportunistic behavior to frustrate Congress' clearly expressed language and intent. The Second Circuit's decision conflicts with the Ninth Circuit's recent holding that a re-grant did not block an author's statutory successors from exercising termination. See *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008). By granting certiorari in this case, this Court can address this division in the circuit courts, restore the intergenerational equity that Congress legislated, and remove the cloud now hanging over innumerable copyrighted works.

## ARGUMENT

### I. Statutory Background of Copyright Recapture

Prior to the 1976 Act, an author's future interest in his work was the right to renew copyright for a second term. In theory, the right of renewal gave authors and their families a second chance to benefit from the work by canceling unremunerative transfers and regaining copyright. Yet authors rarely got what Congress had originally intended, as publishers routinely required authors and their families to assign renewal rights in advance. Because Congress concluded that alienable reversionary interests did not adequately compensate authors for their works, it explicitly made those rights inalienable and unwaivable when it granted the termination-of-transfer right under the current Act in 1976 and again via an amendment in 1998. 17 U.S.C. §§ 203(a)(5), 304(c)(5), (d)(1).

#### A. 1909 – The Right of Renewal and its Judge-Made Alienability in *Fisher v. Witmark*

Under the 1909 Act (which governed until January 1, 1978, the effective date of the current Act), authors enjoyed a twenty-eight year term of copyright protection and held the right to renew for an additional twenty-eight years. Pub. L. No. 349, §§ 23-24, 35 Stat. 1075, 1080-81 (1909). Congress intended this right to be "exclusive" to authors and their families so that they "could not be deprived of this right." H.R.



Rep. No. 60-2222, at 15 (1909). Nevertheless, in 1943, this Court upheld an author's assignment of the right to renew copyright in his musical composition "When Irish Eyes are Smiling." *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943). *Fisher* refused to read the 1909 Act as imposing a restriction on the alienability of renewal interests because the statute did not explicitly provide one. *Id.* at 655-56 (reasoning that if Congress had intended "statutory restraints upon the assignment by authors of their renewal rights, it is almost certain that such purpose would have been manifested."). As Justice White later observed, Congress' attempt to grant authors and their families a future copyright interest "was substantially thwarted by this Court's decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943)." *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 185 (1985) (White, J., dissenting); see also *Siegel v. Warner Bros. Entm't, Inc.*, 542 F. Supp. 2d 1098, 1140 (C.D. Cal. 2008) (noting that the "re-valuation mechanism provided by the renewal term under the 1909 Act was largely frustrated by the Supreme Court's decision in *Fred Fisher Music*, 318 U.S. at 656-59, allowing authors to assign away at the outset all of their rights to both the initial and the renewal term.").

**B. 1976 - Congress Overrides *Fisher* by  
Introducing Termination of Transfer  
as an Author's Inalienable Right of  
Recapture**

What the *Fisher* Court permitted under the 1909 Act, Congress explicitly forbade in the amended legislation. In 1961, the Copyright Office submitted a comprehensive study of copyright law to Congress so that it might revise the 1909 Act. The report noted that the "reversionary feature of the present renewal system has largely failed to accomplish its primary purpose. It has also been the source of more confusion and litigation than any other provision in copyright law." *Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law*, 87th Cong., 53 (H. Comm. Print 1961). The study then commented that "the primary purpose of the reversionary interest would seem to require that the renewal interest be made unassignable in advance." *Id.* at 53-54. Congress included this suggestion in its very first draft of the revised copyright bill.

The Draft Committee entertained several suggestions to update the author's reversionary right so as to remedy what was referred to as "the deficiency of the Supreme Court in *Witmark v. Fisher*." *Discussion and Comments on the Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law*, 88th Cong., 93 (H. Comm. Print 1963). These included: limiting all copyright assignments to twenty years with automatic reversion thereafter; permitting termination of assignments deemed to be

unfair to authors; and granting termination of assignments rights to authors who were only paid a lump sum upfront. The committee debates over reversion were quite spirited, and ultimately Congress chose to include sections granting authors the right to terminate an assignment of copyright. 1964 Revision Bill, H.R. 1947, 88th Cong. §§ 16(a), 22(c) (1964) (codified as 17 U.S.C. §§ 203(a), 304(c) (1976)). Crucially, the proposed statute guaranteed authors a second opportunity to control copyright by ensuring that "[t]ermination of the grant may be effected notwithstanding any agreement to the contrary." *Id.* §§ 16(a)(1), 22(c)(1) (codified as 17 U.S.C. §§ 203(a)(5), 304(c)(5) (1976)). It would take almost twelve years and many more drafts before Congress enacted the Copyright Act of 1976, but this language survived verbatim in order to "protect authors against unremunerative transfers." H.R. Rep. No. 94-1476, at 124 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5740; see also *Mills Music*, 469 U.S. at 172-73 (noting that Congress' intent to "relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product . . . is plainly defined in the legislative history and, indeed, is fairly inferable from the text of § 304 itself.").

### **1. Termination of Copyright Grants Made Prior to the 1976 Act**

Notably, the 1976 Act provided that grants of copyright in newly created works were to be terminable after thirty-five years from the date of the grant, 17 U.S.C. § 203(a), while grants of copyright made under the 1909 Act would be terminable fifty-six years after copyright was first obtained. *Id.* § 304(c). For Congress,

The arguments for granting a right of termination under section 304 are even more persuasive than they are under section 203; [extending the duration of existing copyrights by nineteen years] represents a completely new property right, and there are strong reasons for giving the author, who is the fundamental beneficiary of copyright under the Constitution, an opportunity to share in it.

H.R. Rep. No. 94-1476, at 140, *reprinted in* 1976 U.S.C.C.A.N. at 5756. Thus, Congress determined that the new property right of an extended copyright term should pass to the author and his or her statutory successors (widow/widower, children, and grandchildren) rather than copyright assignees.

### **2. Statutory Inheritance Scheme**

Moreover, the 1976 Act provided that if the author did not survive to exercise his termination right, the interest would be distributed to his family members

as a statutory class. See 17 U.S.C. §§ 203(a)(2), 304(c)(2). Congress specifically made this scheme inalienable: "Termination of the grant may be effected notwithstanding *any* agreement to the contrary. . . ." *Id.* §§ 203(a)(5), 304(c)(5) (emphasis added). The author's family takes the interest despite any assignment or will of the author divesting them of copyright ownership. This provision shows Congress' intent to give the author's statutory successors, rather than the author's assignees or devisees, the benefits of copyright recapture – including the new property right of an extended term of protection.

### **C. 1998 – Congress Extends Copyright Duration Again, Grants Authors a Second Inalienable Right of Recapture**

In 1998, the Sonny Bono Copyright Term Extension Act ("CTEA") extended copyright terms for another twenty years. Pub. L. No. 105-298, 111 Stat. 2827. Again wishing to bestow this additional term on authors and their families, Congress once again adopted the same termination device. See 17 U.S.C. § 304(d). Section 304(d) allows the author's statutory successors to recapture copyrights that had been granted decades earlier, so long as they had not already exercised their termination rights. Again, the law granted authors and their successors a statutory termination right, allowing them to abrogate agreements by which the author had sold the extended term, "notwithstanding any agreement to

the contrary." *Id.* § 304(c)(5), *incorporated by reference in id.* § 304(d)(1).

## II. Analysis

The plain meaning of the phrase "[t]ermination of the grant may be effected notwithstanding agreement to the contrary" is that authors and their successors may terminate copyright assignments in spite of any contractual device that purports to divest them of the right; its plain legislative intent is to override *Fisher* by guaranteeing that authors and their successors have the opportunity to regain copyright. This Court has remarked that termination of transfer rights are "inalienable." *Stewart v. Abend*, 495 U.S. 207, 230 (1990); *see also New York Times Co. v. Tasini*, 533 U.S. 483, 496 n.3 (2001) (characterizing the statutory termination regime as creating an "inalienable authorial right to revoke a copyright transfer" under 17 U.S.C. § 203(a)(5), the post-1978 provision coordinate to § 304(c)(5) for pre-1978 works). Yet the Second Circuit held in the case below that statutory successors' termination rights are alienated when the copyright owner renegotiates an existing grant. *Penguin Group (USA) Inc. v. Steinbeck*, 537 F.3d 193, 202-03 (2d Cir. 2008). The decision harms the statutory successors of innumerable copyrights. It also undermines Congress' intention of shielding authors from the pressures of unequal bargaining power that had produced unremunerative transfers in the creative arts. The Court's review is appropriate and necessary for three reasons.



First, the Second Circuit's construction directly negates the plain language and intent of the statute. Congress made the termination rights inalienable because to do otherwise, as the assignable renewal interests of the 1909 Act demonstrated, would not sufficiently protect authors and their successors.

Second, the case below superimposes state contract law over the federal copyright statute to evaluate the legitimacy of federal copyright interests. Not only does this unpredictable standard invite litigation, it heralds further inconsistent law among the circuits.

Third, the decision will strip many authors' surviving children and grandchildren of their statutorily mandated copyright interests. Those children and grandchildren may now find their ability to terminate previous grants of copyright vanished through no fault of their own.

Critically, the case below implicates numerous valuable copyrights, as all copyrights that are not works-made-for-hire are subject to termination. 17 U.S.C. §§ 203(a), 304(c), (d). Without this Court's immediate guidance, authors and their successors can expect protracted courtroom battles when they attempt to enforce their statutorily mandated recapture rights. Accordingly, the Court must grant review to prevent the uncertainty the Second Circuit's decision will engender regarding sections 203, 304(c) and 304(d).

**A. By Making Termination Rights Alienable, the Second Circuit Resurrects *Fisher v. Witmark* and its Unfortunate Effects on Authors**

The Second Circuit in the case below turned back the clock to the *Fisher* regime, under which publishers could contractually block authors and their families from exercising copyright reversion. Ironically, the court did so by interpreting the statutory provision that was intended to overrule the *Fisher* decision: "Termination . . . may be effected notwithstanding any agreement to the contrary. . . ." 17 U.S.C. § 304(c)(5). Indeed, the Second Circuit stated that it did not "read the phrase 'agreement to the contrary' so broadly that it would include any agreement that has the effect of eliminating a termination right." *Steinbeck*, 537 F.3d at 202.

Forgetting for a moment that the court somehow read the phrase "any agreement to the contrary" to mean "only some agreements to the contrary," the history of copyright law teaches that alienable reversionary interests stand to benefit publishers – and copyright lawyers<sup>2</sup> – at authors' expense. By granting inalienable termination rights to authors and their statutory successors, Congress sought to prevent the "confusion and litigation" spawned by the alienable

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<sup>2</sup> One copyright practitioner recently referred to termination of transfers as "the gift that keeps on giving . . . although potentially fraught with peril." Bill Gable, *Taking it Back*, L.A. Lawyer, June 2008, at 34.

renewal rights of the 1909 Act. The Second Circuit's decision reintroduces the uncertainty surrounding countless future copyright interests by holding that a renegotiation of a copyright grant is a substitute for its termination.

Just as *Fisher* sanctioned publishers' practice of securing renewal rights from authors and their families in order to preclude future copyright reversion, so now does *Steinbeck* encourage publishers to renegotiate copyright grants to prevent statutory successors from later exercising termination. The decision below once again gives publishers an easy tool to block termination without having to confer adequate benefits on authors and their families. With a slight adjustment to the royalty rates or other contractual terms, an assignee will claim that a renegotiation superseded the original grant and thereby escape the prospect of termination. Copyright law has been here before; the scenario that the Second Circuit generates is identical to that which Congress tried to remedy in 1976. This Court's review is warranted to interpret the termination-of-transfer language faithfully.

**B. The *Steinbeck* Rule Is Unpredictable Because It Looks to State Law Rather Than the Federal Statute to Determine the Validity of Federal Copyright Interests**

The Copyright Act permits authors and their successors to terminate a grant if they comply with

statutory notice and timing requirements. The Second Circuit's decision imports the different legal regime of state law, such that federal termination becomes inoperative when publishers have engaged in machinations of regranting, rescission, or novation. The availability of termination rights, which are federally granted property interests, now turns on whether there has been a superseding agreement under applicable state contract law. Indeed, the *Steinbeck* court looked to New York state law to determine whether Steinbeck's original grant to Penguin in 1938 had been superseded by Penguin's renegotiated contract with Steinbeck's widow in 1994. 537 F.3d at 200-01. Such an inquiry guarantees further inconsistent law, encourages strategic forum shopping, and conflicts with clear federal policy preempting state laws that interfere with federal copyright law mandates and protections. See 17 U.S.C. § 301(a).

As noted in the petitioner's brief, a circuit split has emerged over whether and in what circumstances a renegotiated grant extinguishes the right to terminate the original transfer. In contrast to *Steinbeck*, the Ninth Circuit recently held that a re-grant did not block an author's statutory successors from exercising termination because they did not use their termination rights as leverage during the renegotiations. *Mewborn*, 532 F.3d at 989. The Ninth Circuit distinguished its prior decision in *Milne v. Stephen Slesinger, Inc.* – allowing a grantee to “rescind and regrant” a copyright license for the express purpose of

blocking the author's family members from exercising their statutory termination rights, 430 F.3d 1036, 1046 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006) – on the ground that the rights-holder there “had – and knew that he had – the right to vest copyright in himself at the very time he revoked the prior grants and leveraged his termination rights to secure the benefits of the copyrighted works for A.A. Milne's heirs.” *Mewborn*, 532 F.3d at 989. None of these decisions follow the clear dictate of the federal statute that “[t]ermination of the grant may be effected notwithstanding *any* agreement to the contrary.” 17 U.S.C. § 304(c)(5) (emphasis added).

How many more judicial roadblocks can the circuits place in front of authors and statutorily designated successors? After *Milne*, *Steinbeck*, and *Mewborn*, not only will courts have to apply state law to determine whether a copyright assignment has been superseded, they will have to investigate whether the relevant parties knew that they possessed termination interests at the time and whether they received just benefits from the renegotiated terms. Having courts measure the adequacy of such bargains is neither an appropriate nor predictable method of determining a property right that “may be exercised notwithstanding any agreement to the contrary.”

### C. The *Steinbeck* Decision Overrides Congress' Intent to Vest Copyright Interests in Statutory Successors

The decision below invites crafty assignees to undermine the statute most readily in those situations where the statutory successors take the termination interest, but the author's will devises his copyright ownership interest elsewhere. Rather than bequeath their copyright royalties by will to their surviving family members, authors at times name in their will a favored charity,<sup>3</sup> a mistress,<sup>4</sup> or a testamentary trust to act for the benefit of numerous interests.<sup>5</sup> Notwithstanding those testamentary dispositions, Congress vested the right to terminate transfers automatically in the author's statutory successors (the surviving widow and children, and in the case of pre-deceased children, then the author's grandchildren). 17 U.S.C. §§ 203(a)(2), 304(c)(2), (d)(1). Aware that the copyright bar would exercise its ingenuity to devise stratagems to sidestep the

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<sup>3</sup> Author William Saroyan preferred to leave his writings to his sister and a foundation as opposed to his own children. See *Saroyan v. William Saroyan Found.*, 675 F. Supp. 843, 843-44 (S.D.N.Y. 1987), *aff'd mem.*, 862 F.2d 304 (2d Cir. 1988).

<sup>4</sup> Composer Dave Dreyer left a portion of his earnings to his mistress. See *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774, 776 (2d Cir. 1992).

<sup>5</sup> A.A. Milne left his interests in *Winnie-the-Pooh* not directly to his widow and surviving son, Christopher Robin Milne, but instead to a testamentary trust created for the benefit of various charities along with his family members. See *Milne*, 430 F.3d at 1039.



termination interest, Congress further specified that the rights would not be subject to defeasement: "Termination of the grant may be effected notwithstanding any agreement to the contrary..." 17 U.S.C. § 304(c)(5). Yet the Second Circuit's rule permits those rights to be eliminated when the inheritor of an author's copyright interest (the charity, mistress, trust, *etc.*) revisits the terms of a transfer — even if the statutory successors are not party to the negotiations.

In fact, this scenario applies to the situation below. John Steinbeck devised the entirety of his copyrights to his widow, Elaine. *Steinbeck*, 573 F.3d at 196. Though Elaine only held a one-half share of the right to terminate transfer of the copyrights, she received all of the benefits when she renegotiated the agreement with the publisher. *Id.*<sup>6</sup> The author's son and grandson, who together held the other half share of the termination interest, received none. *Id.* Allowing the author's devisee to unilaterally disinherit some (and, under other circumstances, all) members of the statutory class violates the statute.

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<sup>6</sup> The statute requires a majority share to exercise termination. 17 U.S.C. § 304(c)(1). Therefore, Elaine would have been unable to exercise termination on her own, even though the Second Circuit concluded that she "exercised the single opportunity [for termination] provided by statute." *Steinbeck*, 537 F.3d at 204.

Moreover, the rule of law adopted below encourages publishers to escape the possibility of termination by heading straight to the bargaining table with the author's testamentary devisee, regardless of whether he or she happens to be one of the statutory successors. The result is nothing other than a wind-fall to the testamentary devisee and publisher alike. Sometimes the lucky heir named in the will may turn out to be a surviving spouse locking out hostile children from the author's former marriage; in other instances, publishers may tender compensation to some of the author's progeny in order to induce them to give up their advance termination right, to the prejudice of other children or grandchildren; sometimes the device may be labeled "rescission and regrant" (as it was in *Milne*); at other times, it will purport to "cancel and supersede the previous agreements" (as in the case below); sometimes the new grant will occur when termination itself could already proceed under the statute, at other times prior to the termination window opening.

The decision below allows all these variations and more. Not one of them produces the result that Congress intended. The bedrock rule that should apply across the board is the one that Judge Owen articulated in the district court, before being reversed by the Second Circuit in the ruling below: "To protect this right and prevent creators or statutory heirs from contracting away, for whatever reason, this absolute right to 'recapture' for the years of extended protection any pre-1978 copyright grant, the statute

declares void any contract the effect of which is in contravention of or which negates either of these termination rights." *Steinbeck v. McIntosh & Otis, Inc.*, 433 F. Supp. 2d 395, 399 (S.D.N.Y. 2006).<sup>7</sup>

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## CONCLUSION

The Second Circuit's decision in *Steinbeck* undermines the provision of the Copyright Act that guarantees the right of reversion to authors and their statutorily mandated successors. In so doing, it disrupts the overall statutory scheme, blocks authors' successors from realizing their statutory interests, and casts a pall of confusion over the ownership of many valuable copyrights. Congress could not have more clearly manifested its intent that authors and

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<sup>7</sup> This statutory prohibition is intended to be broadly applied to invalidate such unlawful contracts and liberally protect termination rights. Indeed, copyright termination abrogates freedom of contract in two ways: It allows for the invalidation of the original contractual transfer, and it abrogates subsequent attempts to contract around the termination right it creates.

*Steinbeck*, 433 F. Supp. 2d at 399 n.10 (citations omitted).

Any interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest . . . in favor of Elaine's heirs [the children of the surviving widow, not themselves related to the deceased author] must be set aside as contrary to the very purpose of the termination statute, which protects children and grandchildren, and not just widows.

*Id.* at 402 n.23.

their families should enjoy an inalienable right to terminate transfer, and the Second Circuit could not have more patently violated it. This Court's review of the case below is essential to restore not merely the integrity and clarity of Congress' language, but the dual promises that copyright law will fairly protect authors from overreaching and secure the interests of statutorily designated successors.

Respectfully submitted,

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March 18, 2009

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No.08-1039

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IN THE

**Supreme Court of the United States**

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THOMAS STEINBECK AND BLAKE SMYLE,

*Petitioners,*

*v.*

PENGUIN GROUP (USA) INC., ET AL.,

— *Respondents.*

ON PETITION FOR A WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF  
APPEALS FOR THE SECOND CIRCUIT

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**BRIEF OF AMICI CURIAE SONGWRITERS  
GUILD OF AMERICA, AMERICAN  
FEDERATION OF MUSICIANS, AMERICAN  
SOCIETY OF MEDIA PHOTOGRAPHERS  
IN SUPPORT OF PETITIONERS**

---

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## INTEREST OF AMICI CURIAE<sup>1</sup>

The Songwriters Guild of America ("SGA") is the nation's oldest and largest organization run exclusively by and for songwriters, with approximately five thousand members nationwide and over seventy-five years of advocacy for songwriters' rights. We are a voluntary association comprised of composers and the estates of deceased members. We provide a variety of services to our members, including contract advice, copyright renewal and termination filings, and royalty collection and auditing to ensure that they receive proper compensation for their creative efforts. SGA's efforts on behalf of all U.S. songwriters includes advocacy before the U.S. Congress to obtain favorable legislation for songwriters and participating as *amicus curiae* in litigation of significance to the creators of the American canon of popular music. SGA's world renowned members include Ray Charles ("What I'd Say"), Harold Arlen ("Over The Rainbow", "Stormy Weather"), Chuck Berry ("Johnny B. Goode", "Maybellene"), Joe Garland ("In the Mood"), E.Y. Harburg ("Over the Rainbow", "If I Only Had a Brain"), Johnny Mercer ("Moon River", "Ac-Cent-Tchu-Ate The Positive").

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<sup>1</sup> Counsel of record for all parties received notice at least 10 days prior to the due date of the *amicus curiae*'s intention to file this brief. The parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, its members, or its counsel made a monetary contribution to its preparation or submission.

Of particular note is that SGA has acted as an agent to songwriters for termination filings under the Copyright Act. Since 1978 SGA has helped songwriters and their heirs reclaim their works through the filing of copyright termination notices and the perfection of the termination process. Most writers and heirs have never been told about their ability to reclaim their works, so SGA's first step is educating them regarding their rights. Once they choose to file terminations SGA researches all necessary copyright information and files the actual termination claim with the Copyright Office (with a copy sent to the current publisher serving as notice). After the required 2 year processing time, writers and heirs are free to reclaim their works on the effective termination date and begin either self-publishing their works or entering into a new administration/publishing deal. SGA to date has helped such legendary songwriters to realize the termination rights currently available under Section 304(c)(3) of the Copyright Act as: E.Y Harburg, Gus Kahn, Johnny Mercer, J. Fred Coots, LeRoy Anderson, Harry Warren, Richard Rogers, and countless others.

Amicus American Federation of Musicians of the United States and Canada (AFM) has 100,000 professional musician members, many of whom are songwriters and recording artists who create and perform on American sound recordings, and who are entitled to the copyright termination rights at issue in this case. Among its other activities on behalf of members, the AFM works to protect the intellectual property interests of its members.

As was envisioned when the termination right was incorporated into the Copyright Act, many of Amicus American Society of Media Photographers' (ASMP) members were compelled by market forces to enter into license and transfer arrangements to their economic disadvantage. For decades, they and their heirs have been looking forward to the day when they could terminate those agreements and make new bargains on a more level playing field. If left standing, the current decision would make them, once again, vulnerable to manipulations by entities with far greater market power and rob them of the rights that Congress intended to give them. ASMP members internationally acclaimed photographers such as Ansel Adams, Philippe Halsman, Arnold Newman, Richard Avedonm, Jay Maisel, Victor Skrebneski, Joyce Tenneson, Pete Turner, and Eric Meola.

### SUMMARY OF ARGUMENT

Amici strongly support petitioner's writ of certiorari because the determination in this case will have broad and profound effects on songwriters, artists and creators throughout the music industry for decades to come. The plight of songwriters presents an excellent example of the deleterious effects that the determination in this case will have on creators. In the next 10 years, the first wave of copyright termination rights under Section 203 of the Copyright Act of 1976 and under the provisions of the Copyright Term Extension Act of 1998 will become effective for some of the most famous and well-loved songs in the great canon of American popular music. Moreover, terminations of grants

will continue under Section 304 of the Copyright Act. Pursuant to the enhanced benefits provided with explicit intention to creators by Congress in these legislative acts, songwriters are poised to reclaim copyrights that music publishers have controlled for at least 35 years (and in the case of Section 304 terminations, much longer). Congress instituted the termination right as a matter of fairness, to act as an effective safety net and estate planning mechanism for artists such as songwriters, so that they would have an incentive to pursue such an economically perilous profession. SGA is familiar with this intent because it worked closely with Members of Congress during the drafting of the 1976 and 1998 legislation in question.

But the recent decision by the Second Circuit in *Steinbeck v. Penguin* threatens to nullify the very benefits that Congress intended songwriters and other creators be able to reclaim for themselves, their families, and their heirs. And given the unique business structure of the music industry, the current split between the 2<sup>nd</sup> and 9<sup>th</sup> Circuits alone on this issue is sufficient to frustrate Congress's intent because the major music publishers are headquartered on the East and West coasts. Unless the Supreme Court considers the issue and reverses the Second Circuit, the economic incentives created by Congress for songwriters and similarly situated creators to practice their profession will be substantially damaged. In order to preserve one of America's most popular cultural components and one of its most lucrative exports – music – the Second Circuit's erroneous decision must be corrected.



## ARGUMENT

### **I. The Question Presented Is Recurring And Extremely Important To The Maintenance of Congress's Copyright Bargain.**

There is significant evidence in the music industry and songwriting profession alone to confirm that the question presented in this case will recur frequently over the next twenty-five years or more. The proper resolution of this question is critical to maintain Congress's "copyright bargain" between those who create the musical works and those entities that help exploit such works commercially by acting as "middle men" between creators on the one hand and copyright users and the public on the other.

#### **A. The Question Presented Will Recur Frequently.**

Under the terms of the Copyright Act, songwriters and the heirs and estates of songwriters will have the opportunity to exercise their right to terminate previously executed grants of copyright in musical works by issuing notices of such termination pursuant to the guidelines set forth in the Act. By way of example, the following classic American musical compositions may be subject to termination in 2011 (for notice purposes) and in 2013 (for effective dates of termination purposes):

1957 Class: 17 U.S.C. § (304)(d)

Title	Songwriter(s)	Copyright code	Date
Great Balls Of Fire	Otis Blackwell/ Jack Hammer	EU0000492696	1957- 09-09
Come Go With Me	Clarence Quick	EU0000462410	1957- 01-16
I'm Walkin'	Antoine Domino/Dave Bartholomew	EU0000464508	1957- 01-31

1978 Class: 17 U.S.C. § 203

Title	Songwriter(s)	Copyright code	Date
Beast Of Burden	Jagger/ Richards	PA0000021667	1978- 06-26
Copacabana	Manilow/Sussman/ Feldman	PAu000009986	1978- 01-16
Heart Of Glass	Harry/Stein	PA0000047164	1978- 09-11

In 2012 (for notice purposes) and in 2014 (for effective dates of termination purposes), musical works copyrighted in 1958 and 1979 will become available for termination of transfers of copyright, and they include the following:

1958 Class: 17 U.S.C. § (304)(d)

Title	Songwriter(s)	Copyright code	Date
Volare	Mitchell Parish	EU0000531892	1958-07-09
Tequila	Chuck Rio	EP0000116785	1958-02-26
Yakety Yak	Jerry Lieber/Mike Stoller	EU0000523626	1958-05-02

1979 Class: 17 U.S.C. § 203

Title	Songwriter(s)	Copyright code	Date
We Are The Champions	Freddie Mercury	PA0000030960	1979-04-20
I Will Survive	Perren/Fekaris	PA0000041104	1979-05-07
Don't Bring Me Down	Jeff Lynne	PA0000035638	1979-06-13

In 2016, a number of memorable songs from the fertile 1960's period of popular music (beginning in that year with songs copyrighted in 1964) will become available for termination of copyright transfers. As these examples demonstrate, an increasing and steady stream of termination rights will emerge for songwriters and their heirs beginning in 2013. There is ample evidence that the issue raised in this case will recur repeatedly with regard to some of the most significant songs of the late 20<sup>th</sup> Century.

To paraphrase a famous songwriter after whom the Sonny Bono Copyright Term Extension Act of 1998 was named, we seek to ensure that this "Beat Goes On" just as Congress intended.<sup>2</sup>

**B. Question Presented Is Extremely Important To The Maintenance Of Congress's Copyright Bargain.**

The Second Circuit's decision effectively allows music publishers to manipulate the copyright assignment and negotiation process and create an argument that the heirs of a songwriter have extinguished all terminations rights in the musical work in question. The result of this interpretation of the statutory termination right allows contractual formalities to defeat an author or creator's copyright protection, which is directly contrary to the last 30 years of U.S. copyright law.

The decision of the three-judge panel in this case is inconsistent with the intent of Congress, which intended in 17 U.S.C. 304(c) (with respect to pre-1978 musical works) and in 17 U.S.C. 203 (with respect to post-1978 works) to "level the playing field" between creators of artistic works and publishers of the same, by allowing the creator or his or her heirs to reclaim the copyright in their works that they transferred earlier in their careers, when their economic leverage was poor. As well summarized by the House Judiciary Committee

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<sup>2</sup> Copyright data: "The Beat Goes On". Salvatore (Sonny) Bono EU0000972894. 1966-12-30

Report to the Copyright Act of 1976, a "provision of this sort is needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited."<sup>3</sup> SGA is intimately familiar with this legislation, as it was involved in advocating for the current version of the termination statutes previously cited.

In testifying in favor of the Sonny Bono Copyright Term Extension Act (CTEA) before Congress in 1996, then-SGA President George David Weiss (author of "What A Wonderful World") illuminated the underlying reasons for term extension and preservation of the underlying termination rights<sup>4</sup>:

"Term extension has been an issue of paramount importance to those of us committed to the protection of American composers and intellectual property for some time."

"While I believe the economic and trade-related arguments in favor of term extension are persuasive on their own, as a writer I must confess I am most concerned about how the failure

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<sup>3</sup> H. Rept. No. 94-1476, 94th Cong., 2d Sess., at 124

<sup>4</sup> Prepared Statement of George David Weiss, President, The Songwriters Guild of America, *Music licensing and small business hearing before the Committee on Small Business, House of Representatives, 104th Cong., 2d Sess., May 1996.*

to pass such legislation will affect our national culture. Many of our most revered American songs, like "Stars and Stripes Forever," "Over There," and "Swanee," have already fallen into the public domain. Other great works are soon to follow.

"If we are to foster the creativity responsible for such national treasures we must make certain that writers are treated fairly and have the incentive to create new works. Those with talent to write need to be nurtured, and in the real world this means giving them some confidence that our system of laws will protect their creations and allow them to support their families while they are alive and after they are gone. By assuring that creators can provide a legacy for their heirs, term extension will help on this score as well."

Music publishers at that time proposed that half of the additional 20 years of copyright term be maintained by any assignee of the copyright, thus effectively increasing the termination waiting period from 35 years to 45 years. Congress, however, rejected that proposal. SGA was actively involved in ensuring that the original 35-year bargain was left untouched, so that the provision remained sympathetic to authors and their heirs. This policy decision was reflected in testimony during



congressional debate over the CTEA by the Register of Copyrights,<sup>5</sup> Marybeth Peters, who stated:

"S. 483 would extend the term of copyright for 20 additional years without making any special provision for ownership of the additional years of protection. If enacted it would continue the transfer and termination of transfer provisions of the 1976 Copyright Act. The result would be that transferees of copyrights would be the beneficiaries of the additional 20 years of copyright protection unless the transferor made a timely termination of the transfer.

When enacting the 1976 Copyright Act, Congress was faced with a similar extension of the term of copyright; as stated earlier, the existing term of 56 years was extended by 19 years for a total of 75 years. There was considerable debate as to who should be the beneficiary of those extra 19 years, the author or the owner of a copyright that had been transferred.

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<sup>5</sup> Prepared Statement of Marybeth Peters, Register of Copyright and Associate Librarian for Copyright Services, *Copyright term, film labeling, and film preservation legislation: hearings before the Subcommittee on Courts and Intellectual Property of the Committee on the Judiciary, House of Representatives, 104th Cong., 1<sup>st</sup> Sess., June 1 and July 13, 1995.*

Congress chose not to vest the rights in those extra years in the authors where such authors had transferred their rights.

Instead it created a mechanism by which authors could reclaim those rights from transferees--a right of termination. With respect to such works the Copyright Office has received and recorded notifications of termination from 1978 to the present.

*On balance, it seems that authors should be beneficiaries of the unexpected 20 additional years of copyright protection.*

Congress, at the urging of SGA and other authors' organizations, elected to follow the advice of the Register of Copyrights. The entire 20-year extended copyright term was provided to authors if they or their heirs or estates chose to exercise their termination right. Music publishers during the debate over the CTEA sought 10 years of the additional 20-year copyright term, but Congress refused to provide them that benefit. Unfortunately, the Second Circuit just granted the publishers this benefit in its recent decision. The Second Circuit's decision was clearly without statutory basis, is also improper copyright policy, and should be reversed.

**C. The Second Circuit Is Misreading  
The Sonny Bono Copyright Term  
Extension Act (CTEA).**

The Second Circuit decision thwarts the intention of the CTEA, which was to allow authors and their heirs the opportunity to benefit from the additional 20 years of copyright term provided by the 1998 law. Regrettably, the Second Circuit decision provides a "road map" for any publishing corporation with access to significant legal resources to frustrate Congress's intended beneficiaries.

Contrary to the intent of the termination right sections of the Copyright Act, the decision below would allow music publishers to retain rights that Congress intended be terminable. The ability of music publishers to use their significant economic leverage to take advantage of the individual heirs (or the estate) of a songwriter would simply overwhelm the weaker party -- the creator. Congress clearly did not intend for such a dilution of the termination right to occur, yet this result would be all too common in the music industry, where individual creators and artists are frequently overpowered by the vertically integrated companies that own both record labels and music publishing houses.<sup>6</sup>

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<sup>6</sup> See, e.g., S. Garfield, *Money for Nothing: Greed and Exploitation in the Music Industry* (1986), Future of Music Coalition mission statement. "The history of the American Music Industry is a disheartening one, which largely details the exploitation of artists and musicians by opportunists and those without the musicians' best interests at heart." <http://www.futureofmusic.org/manifesto/>, visited March 13, 2009. See also, M.W. Krasilovsky and S. Shelem *This Business*

Sections 304(c)(3) and 203 of the Copyright Act are relatively straightforward, in that they provide a window during which notice must be given prior to the expiration of the 35-year period (for post-1978 works) or of the 56-year period (for pre-1978 works) of copyright transfer, and after such notice is given, the author of a work may reclaim the copyright that he or she originally assigned to a publisher. The all-too-common music industry scenario described in the prior paragraph is facilitated by the Second Circuit's decision, but is contrary to the structure and plain meaning of the termination-right provisions.

The Second Circuit decision is also inconsistent with significant amendments to US copyright law in 1978 and 1988, which sought to reduce the incidence of "formalities" that would defeat a finding of copyright in a work. The Copyright Act of 1976 deleted the requirement that copyrights be renewed in order to last for their full term, establishing the concept of copyright term being for the life of the author plus a defined period of years, with no "renewal formality" present to defeat the full protection of the work. 17 U.S.C. 302(a). The United States then adhered to the Berne Convention in 1988, which provided a more coherent rationale for the protection of intellectual property and which further discouraged any "formalities" that could defeat copyright law

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*of Music: the definitive guide to the music industry* 8th ed. (2000) at 24-25, describing critical terms in contracts between music publishing companies and songwriters

being utilized to give economic incentives to authors to create and disseminate their works. Berne Convention for the Protection of Literary and Artistic Works (Paris 1971).<sup>7</sup> The Second Circuit decision flies directly in the face of this clear trend in U.S. copyright law, by allowing a publishing entity to use a contractual formality to defeat a copyright termination right intended to benefit an author's entire estate. Such a result would further frustrate songwriters and other artists from entering or remaining in their industry, and is directly contrary to the last 30 years of U.S. copyright law and policy.

## II. The Second And Ninth Circuits Are Intractably Divided On The Question Presented

### A. A Split Between the 2<sup>nd</sup> and 9<sup>th</sup> Circuits Is Sufficient To Require Review For The Music Industry.

A split between the 2<sup>nd</sup> and 9<sup>th</sup> Circuits alone is sufficient to create confusion in the music industry. Almost all of the critical music copyright cases arise in these two circuits, given the concentration of the music industry on the East and West coasts. It would be highly disruptive to the music industry in general, and to songwriters in particular, for these two critical circuits to be in conflict on an issue as

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<sup>7</sup> WORLD INTELLECTUAL PROPERTY ORGANIZATION (1978). *Guide to the Berne convention for the protection of literary and artistic works (Paris act, 1971)*. WIPO publication, no. 615. Geneva, World Intellectual Property Organization.

important as this one, and that conflict will manifest itself beginning in 2011 -- only two years away.

**B. All Major Music Publishers May Commence Actions In 2<sup>nd</sup> Circuit.**

There are four "major" music publishing companies in the United States: EMI, Warner, Universal and Sony. All of them have principal offices in New York. As a result, each can commence litigation against a songwriter seeking termination of his or her copyright transfer in the Circuit that is misinterpreting the benefits Congress intended to bestow on songwriters and other authors and creators. Given their vastly superior legal resources, the publishing companies almost certainly will initiate such legal actions, thus frustrating songwriters and their heirs and estates from enjoying the benefits created by Congress to provide financial safety-nets and security to this economically precarious profession. Although the Supreme Court often waits for additional Circuits to speak on an issue before agreeing to resolve a split, there is no legal benefit to waiting here -- and great potential economic and legal harm to songwriters -- if the current split between the 2<sup>nd</sup> and 9<sup>th</sup> Circuits is not immediately resolved.<sup>8</sup>

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<sup>8</sup> **EMI Music Publishing** 75 9th Ave. New York, NY 10011 United States; **Warner Music Group** 75 Rockefeller Plaza New York, NY 10019 United States; **Universal Music Group** 1755 Broadway New York, NY 10019 United States; **Sony/ATV Music Publishing LLC** 550 Madison Ave., 5th Fl New York, NY 10022 United States



## CONCLUSION

For the reasons set forth above and in Petitioners' brief, this Court should grant the Petition for a Writ of Certiorari requested in this case.

Respectfully submitted,

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Dated: March 19, 2009